DOCUMENT RESUME

ED 340 316 HE 025 169

| | |
|---|---|
| TITLE | Oversight Hearing on the Reauthorization of the Higher Education Act of 1965: Great Falls, Montana, Hearing before the Subcommittee on Postsecondary Education of the Committee on Education and Labor. House of Representatives, One Hundred Second Congress, First Session. |
| INSTITUTION | Congress of the U.S., Washington, D.C. House Committee on Education and Labor. |
| REPORT NO | ISBN-0-16-036887-1 |
| PUB DATE | 13 Jul 91 |
| NOTE | 66p.; Serial No. 102-52. Some pages contain small and/or light type. |
| AVAILABLE FROM | U.S. Government Printing Office, Superintendent of Documents, Congressional Sales Office, Washington, DC 20402. |
| PUB TYPE | Legal/Legislative/Regulatory Materials (090) |
| EDRS PRICE | MF01/PC03 Plus Postage. |
| DESCRIPTORS | *Access to Education; College Bound Students; College Students; *Educational Finance; Farmers; Financial Needs; Financial Problems; Hearings; Higher Education; Labor Force; Middle Class; Need Analysis (Student Financial Aid); *Parent Financial Contribution; *Paying for College; Records (Forms); *Rural Family; Student Financial Aid; Student Loan Programs |
| IDENTIFIERS | Congress 102nd; *Higher Education Act 1965; *Montana; Reauthorization Legislation |

ABSTRACT

As part of a series of field hearings across the nation on the reauthorization of the Higher Education Act of 1965, the Subcommittee on Postsecondary Education met in Great Falls, Montana, to hear testimony specifically on access to education for children of middle class farm families in Montana. In the course of the hearing witnesses touched on the proposed Middle Income Student Assistance Act, whether farms should be considered liquid assets, simplifying the aid application process, non-traditional students, and educating the future work force. Among the witnesses were James R. Craig, Montana State University; Stacey Hargesheimer, University of Montana student; Heather L. Martin, parent; Kay Norenberg of Montana Women Involved in Farm Economy; Elsie Redlin of the Montana Farmers Union; Mr. Sheilds, president College of Great Falls; and Audrey Thompson, Director of Admissions, College of Great Falls. The prepared statements of the witnesses are included. (JB)

**********
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
**********

HE

ED340316

# OVERSIGHT HEARING ON THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965: GREAT FALLS, MONTANA

## HEARING

BEFORE THE

SUBCOMMITTEE ON POSTSECONDARY EDUCATION

OF THE

## COMMITTEE ON EDUCATION AND LABOR
## HOUSE OF REPRESENTATIVES

ONE HUNDRED SECOND CONGRESS

FIRST SESSION

---

HEARING HELD IN GREAT FALLS, MT, JULY 13, 1991

---

**Serial No. 102–52**

---

Printed for the use of the Committee on Education and Labor

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)
☒ This document has been reproduced as received from the person or organization originating it.
☐ Minor changes have been made to improve reproduction quality.
• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

U.S. GOVERNMENT PRINTING OFFICE
46-415 cc WASHINGTON : 1991

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-036887-1

HE 025 169

BEST COPY AVAILABLE

## COMMITTEE ON EDUCATION AND LABOR

WILLIAM D. FORD, Michigan, *Chairman*

JOSEPH M. GAYDOS, Pennsylvania
WILLIAM (BILL) CLAY, Missouri
GEORGE MILLER, California
AUSTIN J. MURPHY, Pennsylvania
DALE E. KILDEE, Michigan
PAT WILLIAMS, Montana
MATTHEW G. MARTINEZ, California
MAJOR R. OWENS, New York
CHARLES A. HAYES, Illinois
CARL C. PERKINS, Kentucky
THOMAS C. SAWYER, Ohio
DONALD M. PAYNE, New Jersey
NITA M. LOWEY, New York
JOLENE UNSOELD, Washington
CRAIG A. WASHINGTON, Texas
JOSÉ E. SERRANO, New York
PATSY T. MINK, Hawaii
ROBERT A. ANDREWS, New Jersey
WILLIAM J. JEFFERSON, Louisiana
JOHN F. REED, Rhode Island
TIM ROEMER, Indiana
JOHN W. OLVER, Massachusetts
RON DE LUGO, Virgin Islands
JAIME B. FUSTER, Puerto Rico

WILLIAM F. GOODLING, Pennsylvania
E. THOMAS COLEMAN, Missouri
THOMAS E. PETRI, Wisconsin
MARGE ROUKEMA, New Jersey
STEVE GUNDERSON, Wisconsin
RICHARD K. ARMEY, Texas
HARRIS W. FAWELL, Illinois
PAUL B. HENRY, Michigan
CASS BALLENGER, North Carolina
SUSAN MOLINARI, New York
BILL BARRETT, Nebraska
JOHN A. BOEHNER, Ohio
SCOTT L. KLUG, Wisconsin
MICKEY EDWARDS, Oklahoma

PATRICIA F. RISSLER, *Staff Director*
ANDREW F. HARTMAN, *Minority Staff Director*

---

### SUBCOMMITTEE ON POSTSECONDARY EDUCATION

WILLIAM D. FORD, Michigan, *Chairman*

PAT WILLIAMS, Montana
CHARLES A. HAYES, Illinois
JOSEPH M. GAYDOS, Pennsylvania
GEORGE MILLER, California
NITA M. LOWEY, New York
THOMAS C. SAWYER, Ohio
DONALD M. PAYNE, New Jersey
JOLENE UNSOELD, Washington
CRAIG A. WASHINGTON, Texas
JOSÉ E. SERRANO, New York
PATSY T. MINK, Hawaii
ROBERT A. ANDREWS, New Jersey
WILLIAM J. JEFFERSON, Louisiana
JOHN F. REED, Rhode Island
TIM ROEMER, Indiana
DALE KILDEE, Michigan

E. THOMAS COLEMAN, Missouri
SUSAN MOLINARI, New York
SCOTT L. KLUG, Wisconsin
WILLIAM F. GOODLING, Pennsylvania
THOMAS E. PETRI, Wisconsin
MARGE ROUKEMA, New Jersey
STEVE GUNDERSON, Wisconsin
PAUL B. HENRY, Michigan
RICHARD K. ARMEY, Texas
BILL BARRETT, Nebraska

# CONTENTS


| | Page |
|---|---|
| Hearing held in Great Falls, MT, July 13, 1991 | 1 |
| Statement of: | |
| Craig, James R., Director of Financial Aid Services, Montana State University, Bozeman, MT | 28 |
| Hargesheimer, Stacey, Student, University of Montana, Missoula, MT | 46 |
| Martin, Heather L., Parent, Conrad, MT | 19 |
| Norenberg, Kay, Representative, Montana Women Involved in Farm Economy, (WIFE), Rudyard, MT | 5 |
| Redlin, Elsie, Member, Montana Farmers Union | 10 |
| Shields, Mr., President, College of Great Falls, Great Falls, MT | 1 |
| Thompson, Audrey, Director of Admissions, College of Great Falls, Great Falls, MT | 42 |
| Prepared statements, letters, supplemental materials, et cetera: | |
| Craig, James R., Director of Financial Aid Services, Montana State University, Bozeman, MT, prepared statement of | 32 |
| Hargesheimer, Stacey, Student, University of Montana, Missoula, prepared statement of | 48 |
| Martin, Heather L., Parent, Conrad, MT, prepared statement of | 21 |
| May, Michael, President, May Technical College, prepared statement of | 56 |
| Norenberg, Kay, Representative, Montana Women Involved in Farm Economy, (WIFE), Rudyard, MT, prepared statement of | 7 |
| Redlin, Elsie, Member, Montana Farmers Union, prepared statement of | 13 |
| Thompson, Audrey, Director of Admissions, College of Great Falls, Great Falls, MT, prepared statement of | 44 |

# HEARING ON THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965

SATURDAY, JULY 13, 1991

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON POSTSECONDARY EDUCATION,
COMMITTEE ON EDUCATION AND LABOR,
*Great Falls, MT.*

The subcommittee met, pursuant to notice, at 9 a.m., in the Providence Forum Room, McLaughlen Center, College of Great Falls, Great Falls, Montana, Hon. Pat Williams presiding.

Members present. Representatives Williams and Barrett.

Staff present. Thomas R. Wolanin, staff director; Rick Jerue, majoroty counsel; Maureen Long, legislative associate; and Jo-Marie St. Martin, minority counsel.

Chairman WILLIAMS. Good morning. I call to order this hearing of the Postsecondary Education Subcommittee of the House of Representatives.

Before we begin with opening statements from myself and Congressman Barrett and then go to testimony from our first panel, I would like first to recognize the President of the College of Great Falls, an old friend who may want to welcome us here.

Mr. President, would you care to say a few words?

## STATEMENT OF MR. SHIELDS, PRESIDENT, COLLEGE OF GREAT FALLS, GREAT FALLS, MONTANA

Mr. SHIELDS. Thank you very much, Congressman Williams. I do, on behalf of everyone at the College of Great Falls, want to extend a warm welcome to this hearing and a welcome to our campus. I especially want to acknowledge the presence of Congressman Barrett from Nebraska and, of course, Congressman Williams from the Western District of Montana.

As everyone in this room knows, you are both Members of House Committee on Education and Labor and the Subcommittee on Postsecondary Education. As such, you are going to be very busy over the next period of time with the reauthorization of the Higher Education Act as well as this particular piece of legislation.

We are happy to have you with us. I am glad to see the turnout today on this very important piece of legislation, not only for the College of Great Falls, but other colleges and universities throughout the country.

Thank you very much for being here.

Chairman WILLIAMS. Thank you, President Shields.

I'm pleased that we're able to be in Montana again with this subcommittee, and particularly here in Great Falls.

During the past two months, our subcommittee has been holding a series of hearings in Washington as well as in cities and towns across the country on a wide range of higher education issues in anticipation of the reauthorization of America's Higher Education Act.

Today I want to focus this hearing on the truly crisis level problems that middle income families—and especially our farm families—are having in finding the money to pay for their children's college education.

Middle income families are the bedrock, the anchor of the American tax system and yet they are finding it increasingly impossible—particularly during this past decade—to pay for their children's college bills. We're rapidly reaching a point where college is getting out of their reach financially.

The richest folks in our society can afford to send their children, their students, to the college of their choice. The lowest income people in the United States find some significant help from the Federal Government to send their children to college. Middle income working families, whether they know it or not, pay for both ends of that. But they alone cannot receive the financial assistance necessary to send their children, our children, to college. I think they deserve some help.

A decade ago, these families had a much easier time paying for the college education they had dreamed and planned on for their children. A decade ago, these families were eligible for Federal help through the Middle Income Student Assistance Act. The stark and harsh reality of the repeal of that act is that middle income parents now find that the American Dream of providing their children with better opportunities than they had themselves is vanishing.

Think about that for a moment. One of the great strengths of America—of Nebraska, of Montana—has been that our people always knew instinctively as Americans that the next generation would, in fact, be better off than they were. That dream and promise of America is now being threatened for the first time in the lifetime of anyone in this room. We need to help in whatever ways we can restore the understanding that the next generation will be better off than the last one.

College costs are indeed increasing and increasing dramatically. That was particularly true during the 1980's. And yet when one accounts for inflation,—which we have to do in this country—one finds that middle income people found their income reduced, not increased, in the 1980's.

So the pinch, the financial pinch, felt by Montana's middle income, Montana's farm and working families, is very real with college costs increasing because of inflation and their incomes decreasing because of inflation.

The bill which I have introduced is bipartisan in nature. It would simply, easily, restore student financial assistance to middle income families and their children throughout the United States.

We are here in Eastern Montana because one segment of this bill would have a significant effect upon farm families in America.

That is also the reason that when we leave here, we are going to go to a similar congressional district that has many farm families in the great State of Nebraska.

Congressman Bill Barrett, who is with me today, represents the 3rd District in Nebraska. Bill Barrett came to Congress from the Nebraska legislature where he was Speaker of that legislature. And so as you look at Congressman Barrett, you are seeing a person who was one of the few speakers of a unicameral, one body legislature in the world—Nebraska being the only place that has such a good system.

Bill, your district is, I know, very much like Eastern Montana. Bill has a district which is 60,000 square miles. While Ron and I do not find that to be a particularly large district, it is nonetheless one of the largest in the United States, I believe.

I'm looking forward to being here—I was in your state a couple of times and as I recall your two-thirds of Nebraska, it is not only geographically and politically similar to Eastern Montana, but the economies are very much alike, built primarily on agriculture. Like us, you have grazing and wheat. Unlike us, you have a lot of corn.

Mr. BARRETT. And cattle.

Chairman WILLIAMS. And a lot of cattle.

Bill, we are delighted that you took the time to come to Montana. I am going to be very pleased to be in your district for a hearing following this one.

We would be pleased now to receive any opening statement that you have.

Mr. BARRETT. Thank you, Mr. Chairman. It is a real pleasure for me to be here at the College of Great Falls, to be with Congressman Williams in the Big Sky Country of Montana. I was particularly impressed with the beauty of last evening as we dined together and again the beauty of the sunrise. This is truly Big Sky Country.

You mentioned the size of my congressional district, Mr. Chairman. My congressional district is a little larger than the entire State of Pennsylvania, which gives you some idea perhaps.

As I was traveling out yesterday morning from Washington, DC to be with you at this hearing, I couldn't help but be reminded of the travails that I have to go through to get back to my district. That is something that you will find to be absolutely true when you come to Nebraska in a couple of days. It should be a real experience for you, as this has been an experience for me.

I would like to inform those of you here this morning that I have the privilege and the pleasure of getting a double dose of your Congressman, Mr. Pat Williams, because Pat also chairs another subcommittee that I am a Member of, the Labor-Management Relations Subcommittee of the Education and Labor Committee. Mr. Williams does an excellent job of chairing that subcommittee. I had the opportunity to tell him how much I appreciated his leadership some two or three months ago.

We often come at issues from totally different perspectives on the Education and Labor Committee. But in the case of higher education issues, I think that Congressman Williams and I are certainly on the same frequency. Both of us realize and share the same desire that all Americans should have an opportunity for a good

education. That is another one of the reasons I accepted the invitation from Congressman Williams to be with you here today.

Pat has mentioned his bill. I believe it is H.R. 2561. It may provide an opportunity for rural constituents a little easier way for their children to receive a postsecondary education. This is a very important issue to my district as well. Mr. Williams has already indicated the similarity between our districts. This is an area where I have a great deal of interest as well. By eliminating the family farm or the family home from the financial needs analysis calculation. As a former real estate broker, anything remotely related to improving the housing market is near and dear to my heart anyway.

So I am looking forward to working with the Congressman in his efforts to make sure that this becomes a part of the legislation reauthorizing the Higher Education Act, an act which is now underway—as you can understand from this hearing—I believe this is the 34th hearing to be held already on issues needing to be addressed in the Higher Education Reauthorization Bill.

Before we are finished there will be a total of 44 such hearings, not only in Washington DC, but across the entire nation. This is a tremendously important aspect of the reauthorization process which the Chairman has already highlighted.

While on the subject of the reauthorization I also have a particular concern with student loan default, which is not a topic of this hearing today, but it is an area which we all need to take a pretty good look at. This is a national problem. I am hoping that our subcommittee can and will do something to address this particular subject.

We have probably $6 billion appropriated annually for student loans. When $2 billion of that appropriation is spent covering defaulted loans, we have a problem. So again, I am hoping that we can certainly address that issue before we are through reauthorizing the Higher Education Act.

I guess in the interest of time, Mr. Chairman, I will again thank you and thank you, Mr. President, for your hospitality and for your invitation. I look forward to hearing the testimony from what looks like a very impressive list of witnesses.

Thank you, Mr. Chairman.

Chairman WILLIAMS. Thank you, Mr. Barrett. Bill is one of 10 Republican Members of the committee and a very important Member. Although, as Bill says, our policy differences are sometimes noticeable, on matters with regard to education both Democrat and Republican Members of the committee work very closely together with both the Speaker and the President in an effort to assure ever improved education and access to education for the American people.

Let's turn now to our first panel of Kay Norenberg, Elsie Redlin, and Heather Martin.

Kay, we are delighted that you are with us today. We will look forward to your advice and counsel. Please proceed.

**STATEMENT OF KAY NORENBERG, REPRESENTATIVE FOR W.I.F.E. [MONTANA WOMEN INVOLVED IN FARM ECONOMY], RUDYARD, MONTANA**

Ms. NORENBERG. Thank you. Representative Williams, Representative Barrett, and Staff. Welcome to Montana and thank you for the opportunity to address your committee concerning postsecondary education issues for farm and middle income families.

My name is Kay Norenberg. I speak today on behalf of Montana Women Involved in Farm Economics [WIFE]. My husband and I operate and own a wheat and barley farm north of Rudyard, Montana.

Montana WIFE strongly endorses the Middle Income Student Assistance Act of 1991. Section 2 of the bill provides equity for all students when it no longer requires a student to go through a needs test to determine loan eligibility. Allowing a Stafford loan to be used to meet the family contribution or matching funds will also assist many middle income families.

Section 3 of the bill would stabilize the Pell Grant system helping prospective students who are considering options for funding.

Montana WIFE applauds the author's insight in Section 4, dealing with the treatment of nonliquid assets. This section of the bill will affect farm families and their college age children the most. This requirement for eligibility has virtually eliminated farm students from obtaining assistance in the past. Although farm land and equipment represent equity for borrowing money, most family farms are now finding operating loans very difficult to obtain. Banks and lending institutions are not allowing college loans or loans not dealing with actual farm operation. The same problem exists for most small business owners.

If agriculture producers were receiving a price for the products they sell which would allow for a fair return on investment plus a profit, the Middle Income Student Assistance Act would probably be unnecessary as it pertains to agriculture. However, you are probably all aware of the fact that American production agriculture is receiving prices far below the cost of production.

The summary of the Middle Income Student Assistance Act does not address the following three points. If they are not included, WIFE would like to support their inclusion.

1. Simplification of application procedures. Most loan and grant applications require a CPA to fill out the forms.

2. Needs should not be based on parents' income because the student is most times both borrowing and repaying the loan. If parents are allowed to contribute what they can in assistance, the student would need to apply for less, thus allowing a greater number of students to receive assistance.

3. Because of increased cost of basic necessities and the increased cost of college tuition, regulations should allow increased earnings by the student without jeopardizing his eligibility.

4. Regulations for eligibility should consider net income, rather than gross income. Gross income reports are extremely misleading in agriculture because of the high costs of production inputs. Actual disposable income is always a great deal less than gross income. Although financial sheets show land and equipment as

assets, they are simply tools of the trade in agriculture. Farm families and small business operators should not be required to mortgage these items to properly educate their children.

Thank you, again, for allowing Montana WIFE to testify on this important issue. We appreciate your efforts to make postsecondary education available to all American students. We understand that the strength of the Nation depends on a well-educated society and do not want our children excluded on the basis of their parents' occupation.

Thank you.

[The prepared statement of Kay Norenberg follows:]

UNITED STATES HOUSE COMMITTEE ON

POST SECONDARY EDUCATION

FIELD HEARING on

**MIDDLE INCOME STUDENT ASSISTANCE ACT**

Great Falls, Montana

July 13, 1991

Oral and written testimony
by
Kay Norenberg for
**Montana Women Involved in Farm Economics**

Representative Williams, Members of the Committee. Welcome to Montana and thank you for the opportunity to address your committee concerning post secondary education issues for farm and middle income families.

My name is Kay Norenberg. I speak today on behalf of Montana Women Involved in Farm Economics (WIFE). My husband and I own and operate a wheat and barley farm north of Rudyard, Montana.

Montana WIFE strongly endorses the MIDDLE INCOME STUDENT ASSISTANCE ACT OF 1991. Section 2 of the bill provides equity for all students when it no longer requires a student go through a needs test to determine loan eligibility. Allowing a Stafford loan to be used to meet the family contribution or matching funds will also assist many middle income families.

Section 3 of the bill would stabilize the Pell Grant system helping prospective students who are considering options for

funding.

Montana WIFE applauds the authors insight in Section 4, dealing with the treatment of nonliquid assets. This section of the bill will affect farm families and their college age children the most. This requirement for eligibility has virtually eliminated farm students from obtaining assistance in the past. Although farm land and equipment represent equity for borrowing money, most family farms are now finding operating loans very difficult to obtain. Banks and lending institutions are not allowing college loans or loans not dealing with actual farm operation. The same problem exists for most small business owners.

If agriculture producers were receiving a price for the products they sell which would allow for a fair return on investment plus a profit the MIDDLE INCOME STUDENT ASSISTANCE ACT would probably be unnecessary as it pertains to agriculture. However, you are probably all aware of the fact that American production agriculture is receiving prices far below the cost of production.

The summary of the MIDDLE INCOME STUDENT ASSISTANCE ACT does not address the following three points. If they are not included, WIFE would like to support their inclusion.

1. Simplification of application procedures. Most loan and grant applications require a CPA to fill out the forms.

2. Needs should not be based on parents income because the student is most times both borrowing and repaying the loan. If

parents are allowed to contribute what they can in assistance, the student would need to apply for less, thus allowing a greater number of students to receive assistance.

3. Because of the increased cost of basic necessities and the increased cost of college tuition, regulations should allow increased earnings by the student without jeopardizing his eligibility.

4. Regulations for eligibility should consider net income, rather than gross income. Gross income reports are extremely misleading in agriculture because of the high costs of production inputs. Actual disposable income is always a great deal less than gross income. Although financial sheets show land and equipment as assets, they are simply tools of the trade in agriculture. Farm families and small business operators should not be required to mortgage these items to properly educate their children.

Thank you, again, for allowing Montana WIFE to testify on this important issue. We appreciate your efforts to make post secondary education available to all American students. We understand that the strength of the nation depends on a well-educated society and do not want our children excluded on the basis of their parents occupation.





BEST COPY AVAILABLE

Chairman WILLIAMS. Thank you, Kay.

Elsie, we are pleased you are here with us this morning. Please proceed.

## STATEMENT OF ELSIE REDLIN, MEMBER, MONTANA FARMERS UNION

Ms. REDLIN. Thank you. Representative Williams, Representative Barrett, members of the staff.

My name is Elsie Redlin. I am testifying today on behalf of Montana Farmers Union. My husband and I have operated a farm near Lambert, Montana for approximately the last 35 years.

I have recently completed 10 years of service as a Regent for the Montana University System, as well as brief service on the Board of the Montana Higher Education Student Assistance Corporation. The Montana Guaranteed Student Loan Program, of course, is under the umbrella of the Regents as well.

I mention this because, while I will be testifying in favor of the Middle Income Student Assistance Act from the perspective of a farmer, it is not without some knowledge of the problems and needs of the student loan structure and of higher education from the policy perspective. I don't pretend to know the working mechanics of the student loan programs.

In addition, I want to add that my husband Jerry and I have seen all seven of our children complete their college educations. Most now have student loans in various stages of repayment. None are in default at this time.

Recently I did a little research on agricultural conditions in Eastern Montana and Western North Dakota covering roughly the last decade. Regionally, in 1990, gross farm income fell 5 percent just from the previous year and it is down 10 percent from 1985. Net farm income also shows a substantial loss. In fact, some 16 percent of the region's agricultural producers had zero or negative cash incomes in 1989. This was the tenth year of a fluctuating, but persistent drought in the area.

An interesting sidelight, sort of an ironic sidelight: in the last two weeks, we have seen about the same amount of precipitation, nearly 9 inches, as we have had over the previous two years, rain and snow combined.

Now the drought and the resulting loss of income has had a drastic effect on the debt-to-equity ratios for farms in this area. Those ratios now stand at about 35 percent, a figure that is generally accepted by financial analysts as being rather far too high for an already high risk industry.

To be specific on the elements of agricultural income on wheat, a bushel averaged $3.96 in 1980. In 1989 it was $3.93, but in 1990 the average was $2.78, a drop of $1.15—about 30 percent.

During the same period the cost of money, the prime rate, ranged from 5 percent in the early 1970's to 9 to 10 percent in 1988. This is a crippling condition in times of poor cash flow, and accounts in part for the 16 percent who made no money or actually lost it that I mentioned earlier.

A further example of the risks to which farmers are exposed is exemplified by our own experience this year. On June 25, with the

crops and countryside looking as beautiful as any we have seen in many years, we were completely hailed out. As a further complication, since the traditional hail season generally runs from mid-July to late August, most farmers, including us, had not yet taken out hail insurance. As you may know, the cost of the premium must be paid in cash on the date of application, and so farmers tend to delay tying up that substantial amount of money until close to the accepted season of exposure.

Also as sort of a sad side note, some neighbors had applied that morning of the unanticipated storm, but since the waiting period had not elapsed when the storm hit at 4 p.m. that Tuesday afternoon, the policies were, of course, null and void.

A further unfortunate juxtaposition of circumstances came about because there was an early warm spring with adequate moisture, and crops were advanced to the boot stage—that is where they shoot out a number of stems for heads—and many of those stems were headed out. At that stage, then, the plants will generally not start over and form new heads, and so the crop is lost.

All of this is background then for the subject at hand—whether the paper value of a farm should be considered as a liquid asset. This value is properly placed on the land for taxation and other such purposes, but there is literally no dependable yearly relationship between that intrinsic value and its ability to produce regular income even under optimum conditions. Using that assessed valuation then as a part of the formula to determine parental contribution is an insurmountable obstacle for many farm families.

But shrinking income, as Congressman Williams pointed out, is only part of the problem. Jim Craig of Montana State University will, I am sure, tell you something of the problems of the rising costs of higher education and the effect on his area of responsibility. Higher education is certainly not immune from the same pressures as other elements of society when it comes to rising costs.

In 1981, the cost of tuition and fees for an in-state student at Montana State University was $710. Not in-State it is $1,543, an increase of 117 percent. At the same time as well, a 14 meal plan—that is, two meals a day—and double room is $3,058, bringing the total cost per year to $4,601, without books, travel and other basic costs. Jack Noble, the Chief Financial Officer for the University System, has projected that next year's freshman will pay a minimum of $20,128 for four years at MSU.

And I want to insert quickly that Montana is not known as a state which lavishes spending on its university system. It spends 94 percent of what its peers spend—that is, North Dakota, Wyoming, those states that are surrounding us. And it is below the median nationally as well. So these costs are not a symptom of luxury.

There is a further secondary impact through excluding larger numbers of students through stringent needs applications, and that is that since bond indenture payment requirements are inflexible—and bond indentures cover most of the dormitory, gymnasiums, that sort of thing—the costs of room and board, then, are effected the very next year by even a very small change in enrollment. There is generally no recourse but to charge the remaining students to make up whatever difference results. So there is a kind of ripple effect as well.

More education for prospective farmers is as necessary as it is to any other industry, perhaps more so if one is worried about the constant threat of contamination from the many chemicals and technological processes in use today. In addition, good management practices demand a level of financial expertise undreamed of in bygone days when farming—I think this was about the 1920 to 1930 period—at that time, farming was made up of about 20 percent capital investment and 80 percent labor.

Now the ratio is slightly more than exactly reversed. And it is definitely no longer true—if it ever was—that if one couldn't do anything else, one could always farm.

Furthermore, it is not defensible in any sense to allow financial access to higher education to be inequitable for any segment of society including the shrinking middle class. Farmers, single parents or limited-income home owners, and perhaps small business owners, as well, should not be required to sell their assets to secure a college education for their children, for this puts their own ability to contribute to society in a meaningful way, including paying taxes, in total jeopardy.

Our economy depends on an increasingly knowledgeable work force. Our country depends on an increasingly educated citizenry to cope with our rapidly expanding and increasingly more complicated society and to continue to function as a democracy.

Governments like ours have a high cost. The world joins us in judging it is worth that cost. This proposed measure is an important contribution to both of those equally important concerns. I urge its passage.

Thank you.

[The prepared statement of Elsie Redlin follows:]

FIELD HEARING BEFORE
THE
UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON EDUCATION AND LABOR
SUMCOMMITTEE ON POSTSECONDARY EDUCATION

HONORABLE PAT WILLIAMS
PRESIDING

TESTIMONY OF ELSIE REDLIN, MEMBER
MONTANA FARMERS UNION

ON
SATURDAY, JULY 13, 1991
MCLAUGHLIN CENTER, COLLEGE OF GREAT FALLS
GREAT FALLS, MONTANA



46-415 0 - 91 - 2

Representative Williams, Members of the Committee and Staff,

My name is Elsie Redlin. I am testifying today on behalf of Montana Farmers Union. My husband and I have operated a farm near Lambert, Montana for approximately 35 years.

I have recently completed ten years of service as a Regent of the Montana University System, as well as brief service on the Board of the Montana Higher Education Student Assistance Corporation. The Montana Guaranteed Student Loan Program is also under the umbrella of Regential authority.

I mention this because, while I will be testifying in favor of the Middle-Income Student Assistance Act from the viewpoint of a farmer, it is not without some knowledge of the problems and needs of the student loan structure and of higher education--from the policy perspective, at least. I don't pretend to know the working mechanics of these programs.

In addition, I want to add that my husband, Jerry, and I have seen all seven of our children complete their college educations, and most now have student loans in various stages of repayment.

Recently I did a little research on agricultural conditions in Eastern Montana and Western North Dakota during roughly the last decade. Regionally, in 1990, gross farm income fell 5%, just from the previous year, and it is down 10% from 1985. Net farm income also shows a substantial loss; in fact, some 16% of the region's agricultural producers had zero or negative cash incomes in 1989--the 10th year of a fluctuating but persistent drought in the area. (An interesting sidelight: the last two



BEST COPY AVAILABLE

weeks, we have seen about the same amount of precipitation--8-1/2 inches--as we had over all the previous two years, rain and snow combined.)

The drought and the resulting loss of income has had a drastic effect on debt-to-equity ratios. They now stand at about 35%--a figure that is generally accepted by financial analysts as being too high for an already high-risk industry.

To be specific on the elements of agricultural income on wheat, a bushel averaged $3.96 in 1980. In 1989 it was $3.93, but in 1990 the average was $2.78, a drop of $1.15--about 30%.

During the same period the cost of money--the prime rate--ranged from 5% in the early 1970's to 9% to 10% in 1988. This is a crippling condition in times of poor cash flow, and accounts in part for that 16% who made no money or actually lost it that I mentioned earlier.

A further example of the risks to which farmers are exposed is exemplified by our own experience this year. On the 25th of June, with the crops and countryside looking as beautiful as any we have seen in many years, we were completely hailed out. As a further complication, since the traditional hail season generally runs from mid-July to late August, most farmers, including us, had not yet taken out hail insurance. As you may know, the cost of the premium must be paid in cash on the date of application, and so farmers tend to delay tying up that substantial amount of money until close to the accepted season of exposure. (As a sad sidenote, some neighbors had applied the morning of the unanticipated storm, but since the waiting period had not elapsed

when the storm hit at about 4 p.m. that Tuesday afternoon, the policies were, of course, null and void.)

A further unfortunate juxtaposition of circumstances came about because there was an early warm spring with adequate moisture, and crops were advanced to the "boot" stage and many were headed out. At that stage, the plants will not start over and form new heads, and the crop is lost.

All of this is background then for the subject at hand-whether the paper value of a farm should be counted as a liquid asset. This value is properly placed on the land for taxation and other purposes but there is literally no dependable yearly relationship between that intrinsic value and its ability to produce regular income even under optimum climatic conditions. Using that assessed valuation then as a part of the formula to determine parental contribution is an insurmountable obstacle for many farm families.

But shrinking income is only part of the problem. Jim Craig (has told) (will tell) you something of the problem of the rising costs of higher education and its effect on his area of responsibility--and higher education is certainly not immune from the same pressures as other segments of society.

In 1981, the cost of tuition and fees for an in-state student at Montana State University was $710. Now it is $1,543--an increase of 117%. At the present time as well, a 14 meal plan and double room is $3,058, bringing the total cost per year to $4,601, without books, travel and other basic costs. Jack Noble, Chief Financial Officer for the University System, has projected

that next year's freshman will pay a minimum of $20,128 for four years at MSU.

There is a further secondary impact through excluding larger numbers of students through stringent needs applications and that is that, since bond indenture payment requirements are inflexible the costs for room and board are affected the very next year by even a very small change in enrollment. There is generally no recourse but to charge the remaining students to make up whatever difference results.

More education for prospective farmers is as necessary as it is to any other industry, perhaps more so if one is worried about the constant threat of contamination from the many chemicals and technological processes in use today. In addition, good management practices demand a level of financial expertise undreamed of in bygone days when farming was made up of 20% capital investment and 80% labor. (Now the ratio is slightly more than exactly reversed and it is definitely no longer true, if it ever was, that if one couldn't do anything else, one could always farm.)

Furthermore, it is not defensible in any sense to allow financial access to higher education to be inequitable for any segment of society including the shrinking middle class. Farmers, single parents or limited-income home owners, and perhaps small business owners, as well, should not be required to sell their assets to secure a college education for their children, for this puts their own ability to contribute to

society in a meaningful way, including paying taxes, in total jeopardy.

Our economy depends on an increasingly knowledgeable work force. Our country depends on an increasingly educated citizenry to cope with our rapidly expanding and complicated society and to continue to function as a democracy, for governments like ours have a high cost. The world joins us in judging it worth that cost. This proposed measure is an important contribution to both of these equally important concerns. I urge its passage.

Chairman WILLIAMS. Thank you, Elsie.

Heather, we're looking forward to your testimony this morning. Thank you for being with us.

## STATEMENT OF HEATHER L. MARTIN, PARENT, CONRAD, MONTANA

Ms. MARTIN. Thank you, Congressman Williams and Congressman Barrett, for providing this opportunity to testify regarding the need for changes in the financial aid system.

Mr. Chairman, before I address the issue of trying to provide for my own and my children's education, I want to thank you for voting against the farm bill. It is gratifying to know that we have someone in Washington who understands how bad the legislation was and was willing to stand up and say so. Under the old program, prices were not good, but they are worse now. Thank you again.

In Montana today, there are three classes of people. The first has cash. They can afford to do what they please when they please. The second has nothing. They cannot afford to eat without assistance. Then there is the rest of us, the middle class. We have too much to be poor, but we have too little to achieve economic independence.

The middle class in Montana are small business owners, workers, and farmers. We own property, have jobs, and pay taxes. And we believe that if we do those things, our children should have better opportunities than we did.

However, as we face an uncertain future, we are beginning to question that belief. As we see our friends and our neighbors lose their businesses, farms, and jobs and face a political system that doesn't really seem to care, we worry about what will be there for our children.

What I would like to do today is tell you why a successful Montana farm family worries about the future. And, as I speak to you today, I want you to keep in mind that we are one of the lucky ones. Our farm is paid for. We are the third generation to farm it. We do not have to make a land payment. We just have to try and survive.

More specifically, I would like to talk about why we are concerned that a college education is not something that is available to members of our family.

We farm approximately 2,750 acres in partnership with my husband's two brothers. On it we grow small grains, including registered and certified seed, and raise cattle. There is probably over a quarter of a million dollars equity in our portion of the farm. I know that sounds like a lot,—and it is—but what you have to realize is we only made about $18,000 profit last year.

Eighteen thousand dollars is not enough to feed and house a family of four. It certainly is not enough to consider paying for anyone's college education. So both my husband and I work other jobs off the farm to supplement our income. But we still do not make enough to be economically secure. We make payments on our home, car, and utilities just like everyone else. But we are not rich. We are middle class and we are fighting to stay there. But yet, no

one in my family is eligible to receive financial aid to attend college.

Which brings us to the question, how will we pay for members of our family to go to college?

When I considered going back to school, the only answer seemed to be to take a second mortgage on our home. That was just to pay for the cost of school. It would not have addressed other issues such as the loss of income if I did not work or the cost of day care for my children.

When we talk about financing our children's education, there is a different set of circumstances. We have more time. My daughter Jenny is 10. My son Ryan is 8. So there should be plenty enough time to save enough for them to go to school.

We have been saving for both of our kids' education. However, according to D.A. Davidson, if we save approximately $225 a month for Jenny, and a little less for Ryan, and receive 10 percent interest, we should have $25,000 for each of them to pay for the cost of college when they graduate from high school.

Now that means if we save a little bit less than our house payment every month, we might have enough to pay for their education. I'm not sure about the rest of the people in this room, but I can tell you that is not very realistic for us.

Another option is that maybe our kids can pay for their own education. In 1972, when my husband Larry went to college, he did. He was a carpenter and construction was booming. He paid for his education. But construction is not booming today and kids who work are probably going to get $4.25 an hour. They cannot pay for school on that.

So it seems we are back to taking a second mortgage on our home—and that's not right. But if it's the only option, we will. Our family, like most Montana families, believes strongly in education. We still believe that it is our children's ticket to a better future whether they stay in Montana or have to leave to find work.

For the reasons I have just stated, I strongly support the Middle Income Student Assistance Act. Pat, it is badly needed and I want to thank you for introducing it.

The removal of nonliquid assets from the formula for determining financial aid eligibility and access, without a means test, to Stafford Loans will have an extremely positive impact on families like mine. This will allow middle class, working people access to the means to further their own education and also to pay for their children to attend the schools they choose. I think that the ability to choose—no matter what economic and social class someone is from—is a big part of the freedom that we so often talk about in this country.

I would also like to speak in support of restoring Pell Grant funding authority to its maximum level. There has been a tendency in this country to talk about how important education is, but, as the old saying goes, "not put our money where our mouth is." It is time we got our priorities straight.

In closing, I want to thank you again for coming to Montana and for giving me this opportunity to express my views.

Thank you.

[The prepared statement of Heather L. Martin follows:]

STATEMENT OF HEATHER L. MARTIN BEFORE THE HOUSE SUBCOMMITTEE ON POSTSECONDARY EDUCATION REGARDING THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT ON JULY 13TH, 1991, GREAT FALLS, MONTANA.

---

Thank you, Congressman Williams and Congressman Barrett, for providing this opportunity to testify regarding the need for changes in the financial aid system.

Mr. Chairman, before I address the issue of trying to provide for my own and my children's education, I want to thank you for voting against the farm bill. It is gratifying to know that we have someone in Washington who understood how bad the legislation was and was willing to stand up and say so. Under the old program prices were not good, but they are worse now. Thank you again.

In Montana today, there are three classes of people. The first has cash. They can afford to do what they please -- when they please. The second has nothing -- they can't afford to eat without assistance. And then there is the rest of us -- the middle class. We have too much to be poor, but have too little to achieve economic independence.

The middle class in Montana are small business owners, workers and farmers. We own property, have jobs and pay taxes -- and we believe that if we do those things our children should have better opportunities than we did.

However, as we face an uncertain future, we are beginning to question that belief. As we see our friends and neighbors lose their businesses, farms and jobs, and face a political system that doesn't seem to care, we worry about what will be here for our children.

What I would like to do today is tell you why a successful Montana farm family worries about the future. And, as I speak to you today, I want you keep in mind that we are one of the lucky ones. Our farm is paid for -- we are the third generation to farm the land. We do not have to make a land payment, we just have to try and survive.

More specifically, I would like to talk about why we are concerned that a college education is not something that is available to the members of our family.

We farm approximately 2750 acres in partnership with my husband's two brothers. On it we grow small grains, including registered and certified seed, and raise cattle. There is probably over a quarter of a million dollars equity in our portion of the farm. I know that sounds like a lot, and it is, but what you have to realize is that we only made about an $18,000 profit last year.

Eighteen thousand is not enough to feed and house a family of four. It certainly isn't enough to consider paying for anyone's college education. So both my husband and I work other jobs off the farm to supplement our income. But we still do not make enough to be economically secure. We make payments on our home, car, utilities etc... just like everyone else, but



BEST COPY AVAILABLE

we're not rich. We're middle class and fighting to stay there, but yet no one in my family is eligible to receive financial aid to attend college.

Which brings us to the question, how will we pay for members of our family to go to a college?

When I considered going back to school -- the only answer seemed to be to take a second mortgage on our home. That was just to pay for the costs of school. It would not have addressed other issues such as the loss of income if I did not work or the cost of day care for our children.

When we talk about financing our children's education, there is a different set of circumstances. We have more time. My daughter Jenny is ten, my son Ryan is eight. So there should be plenty time to save enough for them to go to school.

We have been saving for both of our kids' education. According to D.A. Davidson, if we save approximately $300.00 per month for Jenny and a little less for Ryan, and receive 10% interest, we should have $25,000 for each of them to go to college when they graduate from high school. Now that means if we save a little bit more than our house payment every month, we might have enough the pay for their education. I'm not sure about the rest of the people in this room, but I can tell you that isn't very realistic for us.

Another option is that maybe our kids can pay for their own education. In 1972 when my husband Larry went to college, he did. He was a carpenter and construction was booming -- and he paid for his education. But construction isn't booming today and kids who work are probably going to get $4.25 an hour and they can't pay for school on that.

So it would seem we are back to taking a second mortgage on our home -- and that's not right. But if that is the only option, we will. Our family, like most Montana families, believes very strongly in education. We still believe that it is our children's ticket to a better future -- whether they stay in Montana or have to leave to find work.

For the reasons I have just stated we strongly support the Middle-Income Student Assistance Act. Pat, it is badly needed and I want to thank you for introducing it.

The removal of nonliquid assets from the formula for determining financial aid eligibility, and access, without a means test, to Stafford Loans will have an extremely positive impact on families like mine. This will allow middle class working people access to the means to further their own education and also to pay for their children to attend the schools they choose. I think that is a big part of the freedom that we so often talk about in this country.

I would also like to speak in support of restoring the Pell Grant funding authority to its maximum level. There has been a tendency in this country to talk about how important education is, but then as the old saying goes "not put your money where your mouth is." Its time we got our priorities straight.

In closing, I want thank you again for coming to Montana, and for giving me this opportunity to express my views.

Chairman WILLIAMS. Thank you, Heather.

I am particularly appreciative of the recommendations, four in number, which you made on behalf of WIFE. Let me mention one of them to you and that was your first recommendation, which was simplification of application procedures. Most loan and grant applications require a CPA to fill out the forms.

Boy, you have got that right. I took the application home six months ago, Bill, after I had heard for years from people about how difficult it was to fill it out. I took it home six months ago and seriously, I am still working on it.

We agree with you. We agree with WIFE. These application forms are simply too cumbersome and too complex. My legislation takes care of that with regard to the loan process by simply eliminating the application process whatsoever. There would be no more loan forms.

The Pell Grant program was purposely and reasonably developed to assist people based upon their income needs—and I think most Americans believe that, while as Heather has noted the Pell Grant maximum should be increased and you have all noted the program should be more available to middle income people—nonetheless we do need an application process for those applying for Pell Grant because we do want to match the award with need. We simply want to include in that need middle income people.

But that application process, too, Kay, is simply too complex. The Chairman of the full Education and Labor Committee, Congressman Bill Ford from Michigan, whose Staff Director Tom Wolanin is with us here in Montana today, is as committed as you are that we find some way to remove many of the current unnecessary complexities in the Pell Grant application as well.

But the Guaranteed Student Loan application, if my bill passes, will simply be eliminated. So it seems to me the best way to get rid of cumbersome, complex matters is simply eliminate them. And that's what my legislation does.

Elsie, you mentioned in your testimony the increase in the cost of tuition and fees. You picked one of our fine institutions, Montana State, as the example. As you know, the same type of calculations could be made for any proprietary, public or private postsecondary institution. One would find that their tuition and fees have also increased rapidly from that target date you used, which was 1981.

You noted that the tuition and fees in 1981 were $710 and now are $1,543, an increase of 117 percent. During those same years, middle income Montanans suffered a 20 percent loss in their purchasing power, under the same calculations you are using. Middle income Montanans experienced a 20 percent loss in their purchasing power, which for each middle income family means a loss—since 1981—of $6,000 a piece.

Now you put that together with the increase in the cost of college and you can see the difficulty with which folks are faced. It is very real.

By the way, I want to make a point to you about this legislation. This hearing in Montana and the other hearings that we have had in Washington and around the country are not simply an exercise

in futility. We are not simply trying to gather people in a room to see what they think about a bill which has no chance of passage.

I am convinced because of the co-sponsorship of the House leadership on my bill and am convinced because of the bipartisan support that my legislation has received, including from the ranking Republican Member, the most senior Republican Member on the House Education and Labor Committee, that my bill will pass the House this year. I believe from talking with both Senators Pell and Kennedy that the legislation will pass the Senate and I believe will be signed by the President before this Congress is out.

Congressman Barrett, any questions or observations for these witnesses?

Mr. BARRETT. Perhaps an observation or two and maybe a question or two. I suppose an observation, Kay. I am glad to know that WIFE is again represented at this hearing. Out where I come from when WIFE says jump, we say how high?

Ms. NORENBERG. Thank you.

Mr. BARRETT. It is an excellent organization and you, I'm sure, in Montana do the same as those good wives in Nebraska. We do depend on WIFE in my part of the country for quick and accurate information.

There is an idea which has floated around by Congressman Petri from Wisconsin—he is a Republican Member of our subcommittee—called IDEA, Income Dependent Education Assistance Act, that would have loan payments based on the student's income rather than a flat monthly regular fee. So when a student gets out of college, and after becoming an income producing citizen, then at that point in time, the borrower can pay back that loan. Perhaps more at his leisure than the present rules, regulations, and law allow.

Is that something that would have some appeal to you and WIFE?

Ms. NORENBERG. Well, I think so because the fact is that sometimes they have to make a set payment. I think to have it on their income would be better. If you had to make a big payment and you are only making a small income, it is very difficult. Sometimes they end up working for McDonald's even though they have got a college degree, yet they have to pay that payment back. I have seen that happen many times because they just could not find employment at that particular time.

Mr. BARRETT. Yes.

Ms. NORENBERG. So, I think that is appealing.

Mr. BARRETT. It is to me as well, but I have not made a decision on it yet. It is simply a new idea that—or at least it is new to this committee this year.

Elsie, I particularly was interested in a couple of your comments as well. With your background with the Montana State University and with the Higher Education Student Assistance Fund and all of that sort of thing, you understand probably better than most that Federal money certainly is not limitless. There is a bottom to that well somewhere—although I am not sure where it is.

What suggestions could you make to expang eligibility to middle income students, the truly needy students without at the same figure giving subsidies to the higher income students. Is there some

pressure point here? With your background, I thought maybe you might have some ideas.

Ms. REDLIN. I have some thoughts. They are not original, of course.

Mr. BARRETT. Okay.

Ms. REDLIN. In fact, I think I will defer the answer to that until Jim Craig speaks. We had a conversation earlier. He serves on an advisory committee for all of the student loan programs. As I recall, he did have some suggestions as to perhaps capping—the setting aside of the non-liquid assets or something of that sort.

I share the concern that there is a limit. But I think that flexibility is probably the answer. There is very little flexibility as I understand it in the student loan program right now.

Mr. BARRETT. I understand, as well. Fine, I have no problem. We will defer to Mr. Craig on that point.

I was also interested in your analysis in the increase in higher educationcosts. I am sure it is no different in Montana than it is in many places. I believe you are looking at a total cost per year of over $4,000, $4,600. A four year cost of over $20,000.

Ms. REDLIN. That is projected, yes.

Mr. BARRETT. What is the primary reason for the increase in tuition and other college costs?

Ms. REDLIN. Well, like everything else, there are many contributing factors. All of the upkeep costs have increased significantly. The purchase of books, for example. Montana has always been very careful with their educational expenditures, which means that we have been cutting corners for the last 100 years——

Mr. BARRETT. Like a lot of the rest of us.

Ms. REDLIN. [continuing] and it is catching up with us. All of our buildings are in dire need of refurbishing, our equipment is outdated, our faculty salaries are very low. So all of those things rolled together put us in nearly a crisis mode.

Mr. BARRETT. Inflation as well.

Ms. REDLIN. Oh, yes. Certainly.

Mr. BARRETT. Heather, your comments on net income interested me, as well.

Ms. MARTIN. That is interesting. Isn't it?

Mr. BARRETT. As I understand it, in the calculation of need for grants, your farmland assets are actually counted twice. Is that right? Your land is counted once and then the improvements are counted as well? Is that right?

Ms. MARTIN. I am not sure on the application on that.

But going back to that—and if you will remember further on in my testimony, I did state that my husband and I also work second jobs to cover for that somewhat low income that we receive from the farm.

Mr. BARRETT. Yes.

Ms. MARTIN. So maybe the picture from the farm end of it. I think what I was trying to address on that is that it shows that we own a certain amount, that we have this. It is not a liquid asset. I cannot go get that any more than any more than any other small business. I still only receive this amount of income from the farm. I can go and borrow from the bank. They would be more than happy

to lend me the money. But the ability to pay that back on the return of the investment is just not feasible.

Mr. BARRETT. But in determining eligibility, is it not true that we consider not only the land itself, but the income that is generated from the land, so in that sense it is counted against you twice.

Okay, thank you very much.

Ms. MARTIN. Thank you.

Chairman WILLIAMS. Let me, before you leave the witness table, just ask one question of any of you. Heather, perhaps, because I did not ask you a question earlier. Perhaps if you can answer this, you would want to take the first try at it.

It is important for the Congress to have not only specific information, specific recommendations about changes in current law, recommendations that we can base words upon—so that if we change the law, we know specifically the goals we are trying to reach—but it is also important for us, equally important in my judgment, to have a sense of what people go through in trying to lead their lives and make sure the next generation is better than the last one.

Now in that regard, can any of you share with this committee, in perhaps an anecdotal way, information you have about your friends or your neighbors and the difficulty they have had trying to be sure that their children could, first, go to and then remain in college.

Do any of you have any stories in particular about families with whom you might be familiar, but found they just could not make it. They could not do it. And therefore, their son or daughter and this country simply lost out on that possible education.

Heather, do you have any friends that are in this boat with you and so many others?

Ms. MARTIN. Actually, I do. When I heard that I would be testifying over here, I have a friend that is going to school and the first thing she said was, "I have some problems with—," she does get some assistance.

Chairman WILLIAMS. She is attending school herself?

Ms. MARTIN. She is attending school herself. She has to take off from school. It is taking her quite a bit longer to get her degree because she has to take a year off or six months off to be able to earn money to be able to continue her education. A lot of the same problems. Her parents are in a situation where they financially look good on paper, but it is difficult to go out and get the loans and be able to pay them off.

Chairman WILLIAMS. Elsie?

Ms. REDLIN. I would like to respond, too, if I could. Certainly when I served on the Board of Regents, the stories that we heard were just heart rending. There were many appeals, particularly from out-of-state students who desired in state status. Montana, like all other states, has a premium that is required of out-of-state students. In order to stay in school, many of those students would virtually starve in order to stay.

But I wanted to extend the impact of what you were saying just a little bit in line, perhaps, with Congressman Barrett's suggestion of IDEA. Is that what is was called?

Mr. BARRETT. Yes.

Ms. REDLIN. The thing that concerns me most is that with rising costs of college education, that is universal, everybody pays that higher cost. But of course, when leaving college, the return to students who are in different fields is vastly different. There has been a tremendous influx into business because business has been a very profitable and a very productive field. It is easy to pay off student loans when you have a high salary, as Kay suggested.

What this means is then that social workers, and perhaps to a lesser extent nurses, those sorts of bedrock people in our society and in the work force will simply not be able to pay off their loans, if the same standard is applied at all levels. That is a real concern to me because even now as I scan the want ads, there are lots of ads for people in those fields where the return is very low and very few ads for help wanted in the high paying industries, naturally.

But that does not bode well for the sort of structure that we have built in this country. I am deeply concerned.

Mr. BARRETT. Thank you.

Chairman WILLIAMS. Kay, any examples of farm families wanting to send their children on?

Ms. NORENBERG. Well, I think most of the time they borrow the money if they have not got the cash or if they have not saved it over the years. There is no way in our experience that we found that we were ever able to get money for our kids. We just could not. We had to fork out. So therefore, the majority that I am familiar with are in that same situation. We have been in a good area. The Triangle has been a good area and farmers have made some money. And, of course, the land prices at the time that our children were going to go to college skyrocketed, too. So, of course, that just put us right out of the ball game.

Chairman WILLIAMS. Yes.

For farm children who want to go to college and return to the farm, I am told by farmers that a college education for those people is increasingly important because of the increasing technical and semi-technical demands on the farm—everything from economic management to proper land management.

Ms. MARTIN. I would like to touch on that because my son does want to come back to the farm. We do talk to the kids in great depth about college and the need for it. His response for it, like any 8 year old, is I do not need to go to college. I want to be a farmer.

That is unrealistic. We are trying to explain that to him. He needs to know how to market grain, not by just going to the local elevator any longer. He needs to have some type of structure in putting on chemicals that he is not going to learn at the Extension Office only. So that is something that we are dealing with right now in trying to encourage him that if he does stay on the farm, if he is able to stay on the farm, if we are still there on the farm and he can go back to it, then he does need this.

Chairman WILLIAMS. Bill, Carol and I have three children and they all—bless them—decided to come to school in Montana. I probably should not reveal, while I am on this campus, which campus they are attending in as much as they are not attending either Bill's or Jim's campus. But nonetheless, they decided to go to school here in Montana and, although Montana's costs are fairly reasonable, we found that with three children in school at the

same time, it was a real financial drain. I think that all parents can appreciate that when they have got a couple of kids at a time in school.

Mr. BARRETT. My wife and I experienced the same problem, Mr. Chairman. We had two in school at the same time. It was a terrible burden.

Chairman WILLIAMS. Well, thank you very much for your advice and counsel. We very much appreciate your being with us and are delighted that you took the time to come by this morning.

Thank you.

Would the three members of our second panel please join us?

Jim, it is always nice to see you. You and I seem to be spending a lot of time together in the last two weeks.

Mr. CRAIG. Thank you very much.

Chairman WILLIAMS. And I do hope you will identify yourself not only with your Montana connection, but also with your national importance and your chairmanship on this important issue.

**STATEMENT OF JAMES R. CRAIG, DIRECTOR OF FINANCIAL AID SERVICES, MONTANA STATE UNIVERSITY, BOZEMAN, MONTANA**

Mr. CRAIG. Thank you very much. I appreciate the opportunity to appear once again before this subcommittee. It has been a couple years, I think, since you were in Missoula. And even if it is a beautiful Saturday morning, I am glad to be here. Maybe it is devotion beyond the call of duty to hold a hearing on a Saturday morning.

For the record, I am Jim Craig. I am Director of Financial Services at Montana State University. On behalf of my colleagues on the Advisory Committee and my financial aid colleagues here in Montana, I would like to thank, again, the committee for the opportunity to appear and discuss the major issues regarding student financial aid delivery.

I certainly believe—and I believe that members of the Advisory Committee believe—that this is a very important reauthorization process, probably the most important one that we have faced in since the initiation of the financial aid programs. It is one that certainly can finish the work begun by Congress in 1986 to simplify—we thought we were simplifying then, but we still need to simplify—and, of course, integrate and strengthen the delivery system.

At the outset I would like to say that we have come a long way since I became Director at Montana State University over 25 years ago. At MSU, we are very proud of the fact that all aid applicants at Montana State University can now apply using a free common form. And those who qualify can use a simple need test set forth in the law.

We owe these two improvements largely to the efforts of Congress that has insisted for years that needy students be able to apply free on forms that are as simple as possible.

In addition, I think it is important for Members of the subcommittee to understand that what is true at Montana State University is also true for several states, thousands of institutions, and millions of students across the Nation who also take advantage of the free and simplified Federal delivery system.

It is for these reasons, however, that I must tell you that both as the Director as MSU and as an Advisory Committee Member, I am certainly alarmed at some of the reauthorization recommendations now before Congress that are described as efforts to simplify, but which I feel, in fact, would dismantle free delivery and make models, forms, and processes more complex instead of more simple.

I am referring specifically to S. 1137, called the Student Aid Simplification Act, which appears to embody the NASFAA Plan for Reform with some modifications.

I have submitted as part of my written testimony a full analysis of the likely effects of this bill and the advisory committee's concerns about those effects. Let me concentrate for a few minutes on its effects at my campus, Montana State University.

First, in stark contrast to our system today, if S. 1137 were implemented, students at MSU would not be able to apply using the free Federal form. The language in S. 1137 eliminates the guarantee of free Federal processing now in the law and makes free Federal processing conditional on data matches, implementation of unspecified data bases, and funding. It is the Advisory Committee's position that this will almost certainly lead to elimination of the free form by the Department of Education.

Second, if this were not bad enough, S. 1137 eliminates free processing by the MDEs. This means that in the face of elimination of the free AFSA form, MSU could not turn to one of the MDEs who currently process the Federal application free to the students and parents. On the contrary, we would be forced to turn a fee-charging needs analysis processor or create our own system for data entry, calculation, and reporting. To make matters even worse, S. 1137 encourages the reduction of MDEs from the current number of five to only two.

Third—and this is the provision of S. 1137 that is most difficult to comprehend—the only reference currently in the law requiring a common form is eliminated.

Taken together, these three provisions very likely mean no free Federal form, only two fee charging multiple data entry forms to choose from, and no requirement that a common form exist among needs analysis processors.

Mr. Chairman, this would have the effect of setting our financial operation at MSU back by at least 20 years. It would cost MSU students, if they used the high priced form, at least $60,000 a year to apply for Federal financial aid.

Let me state for the record that these effects would not be unique to Montana or MSU. In a letter dated July 10, 1991, to the Hon. Paul Simon, Member of the Senate Committee on Labor and Human Resources, Larry Matejka, Executive Director of the Illinois Student Assistance Commission, wrote about ISAC's deep concern with S. 1137. And I quote, "If adopted, the changes in this bill would have severe negative repercussions for the financial aid needs analysis process used by ISAC."

The letter goes on to say, "Those who would suffer most would be students and parents." A little further in the letter, after reminding the Senator that ISAC had been a strong supporter for free Federal delivery, Mr. Matejka states, "We would hope that Congress would take an equally strong stance and not permit that

stance to be undermined through legislation such as S. 1137, the enactment of which would make the financial aid process more complicated, more cumbersome, and more costly."

I would say that this is the exact opposite of what we have been trying to achieve in some of the testimony we have heard this morning. The provisions in S. 1137—that strike the guarantee of free processing undermine the AFSA free form, eliminates free processing by MDEs, and deletes any requirement for a common form—are of grave concern not only to myself, but other members of the Advisory Committee and members of the Financial Aid Directors of Montana.

But there are some other troublesome provisions in S. 1137 as well. It repeals the simple needs test currently in the law and substitutes an approach that targets 2 million fewer students. It eliminates a simple needs test for all non-traditional and independent students, no matter how poor they are, and it substitutes new and unfamiliar terminology throughout the needs analysis.

It is silent on simplifying the application for low and middle income students—perhaps the area of greatest opportunity for simplification. It also appears to have major unintended budget redistribution effects by increasing dramatically both Pell costs and major need for other student aid programs, shifting funds away from non-traditional and independent students, and shifting funds away from two and four year public institutions to private institutions including proprietary schools. These effects have never been fully discussed or justified.

Mr. Chairman, my purpose here is not to question the good intentions of the sponsors of S. 1137, but rather I am suggesting that it requires extensive examination, discussion, and considerable modification to achieve the intent of its authors and to avoid the consequences that I have outlined here today.

I would like to close by summarizing for you the Advisory Committee's Reauthorization recommendations. Mr. Chairman, the Advisory Committee believes that Congress can significantly simplify and improve the delivery of student aid by taking the following actions:

First and most important, fully implement the free Federal needs analysis intended by Congress by creating incentives or requirements of states and institutions to use it. Without this step, the committee feels that little progress can be made towards simplification.

Further, simplification requirements for students eligible for simplified needs analysis, particularly those who have family income of $10,000 or below or are AFDC recipients. Of course, integrate the Pell and congressional methodology models into one model with a simple needs test by using one of the needs tests as a foundation.

As far as schools are concerned, initiate a pilot project using Stage Zero electronic data exchange and develop other procedures for streamlining the reapplication, so that both low and middle income students and families already in our system and data base can reapply simply and quickly. I think it is ridiculous the amount of time we put students through reapplying year in and year out for financial aid, when we know what they are going to qualify for before they even apply.

I would also extend eligibility for simplified needs analysis—and this is particularly important with the Pell Grant program—so that at least $20,000 and perhaps to $30,000 or even $40,000 adjusted gross income, thereby eliminating the need for middle income families with only modest assets to report them.

Plus eliminate the reporting of home equity, family farm, and small business assets for all financial aid—not only including for Stafford Loans, but for Pell Grants as well.

And of course, restructure the Federal information dissemination and outreach to simply and clearly communicate the amount of financial aid that at-risk students will qualify for if they finish college preparatory high school programs.

And of course, redesign and expand Federal training efforts so that every Federal, state, and institutional agent in the delivery system understands and can communicate our promise of assistance not only to needy families, but to middle income families as well.

Mr. Chairman, Congressman Barrett, the Advisory Committee as well as myself is convinced that these changes are required to fully realize the goals of the Federal student aid programs, especially equal access by the year 2000.

I thank you again for the chance to testify before you. I would be happy to answer any questions that you might have.

[The prepared statement of James A. Craig follows:]

WRITTEN TESTIMONY BY

JAMES R. CRAIG

DIRECTOR OF FINANCIAL AID SERVICES
MONTANA STATE UNIVERSITY

AND

MEMBER, ADVISORY COMMITTEE ON STUDENT
FINANCIAL ASSISTANCE

SUBMITTED TO THE
HOUSE SUBCOMMITTEE ON POSTSECONDARY EDUCATION

JULY 13, 1991

COLLEGE OF GREAT FALLS
GREAT FALLS, MONTANA

Good morning, Mr. Chairman and members of the Subcommittee. My name is James Craig and I am a member and past Chairman of the Advisory Committee on Student Financial Assistance and Director of Financial Aid Services at Montana State University. On behalf of the Advisory Committee members, I would like to thank your Subcommittee for the opportunity to present our recommendations on simplification as they affect the reauthorization of the Higher Education Act. As you know, Congress created the Advisory Committee in the Higher Education Amendments of 1986 to make recommendations that will result in the maintenance of access to postsecondary education for low- and middle-income students.

At Congress's request our Committee delivered on April 8, its reauthorization recommendations in the form of an overview report and legislative language implementing each proposal.

Today, I am here to:

- o define the problem of complexity;
- o describe its most troublesome and important aspects;
- o identify specific recommendations in bills now before the Congress that would make matters worse;
- o outline the Advisory Committee's recommendations;
- o offer a framework for evaluating alternative reauthorization proposals; and
- o present a preliminary evaluation of the NASFAA Plan for Reform that is now part of S.1137.

The Advisory Committee believes that, in spite of important changes legislated by the Congress in 1986, and some progress, the entire delivery system has remained overly complex; and that this complexity frustrates and discourages both low- and middle-income students and parents.

***Defining the Problem of Complexity***

Let me use five examples to illustrate how students and parents--especially low-income, disadvantaged and minority populations--view the delivery system that we have placed in their paths.

First, the vast majority of our neediest college bound youth--those for whom our programs are in large part designed and those with the lowest income and virtually no assets--many of whom are on public assistance--are currently required to complete overly complex forms designed to assess the need of the wealthiest families in our country. It is our standard practice, also, to allow them to be charged a fee, basically to prove they are poor.

Second, if that weren't bad enough, we currently assess the eligibility and need of our most disadvantaged youth and families under four separate need analysis models--even though for the vast majority, the four results are virtually the same. That is, each of the models simply tells us what we should have already known--that these students and families are very poor.

Third, we not only do this the first time they apply for federal student aid, we make those already in school, struggling to persist, start from scratch each year with a blank form--even the millions for whom circumstances have not changed appreciably. And by the way, we charge most of them yet another fee every time they apply.

Fourth, for youth from families, who are but slightly better off, whose circumstances also beg for a streamlined form--and this includes many middle-income families--we routinely collect asset information even though our complex models have told us for years that their assets--primarily in the form of small amounts of home equity--are not readily available for postsecondary expenses nor do they meaningfully contribute to the families' ability to pay.

Fifth, and perhaps most important, for the population most at-risk--low-income, disadvantaged and minority students in middle school and early high school--the message we send about the programs we have designed with their future in mind, is complex, ambiguous and often plainly incorrect. Rather than speak to these students and families with a clear, unified, and simple message about their considerable drawing power on federal, state and institutional programs if they successfully complete a college preparatory curriculum in high school, we allow confusion and misinformation to prevail.

Mr. Chairman, these are not random anecdotes or far fetched examples designed to persuade you that our delivery system needs some fine tuning. These are regular events that literally define our delivery system in the eyes of students and parents across our nation. They happen in the majority of cases in virtually all states and on virtually all campuses. They serve no educational purpose and potentially undermine the effectiveness of our programs by discouraging students and families already beleaguered by the economic and social changes occurring in this decade. Fortunately, the worst aspects of federal delivery can be eliminated during this reauthorization. All we need do--motivated by our common interest in the educational well-being of our youth and our shared desire that they and their families make sound decisions--is use existing knowledge and technology to simply take the next logical steps in a process begun by the Congress in 1986.

***The Most Important Aspect of Complexity***

Mr. Chairman, the Advisory Committee's current and past members--college presidents, financial aid directors, educational association executives, bank officers, guaranty agency

presidents, state higher education officials, and students--are convinced that the delivery system can be made much simpler and more effective. However, the Committee believes that we must proceed with some caution. We should be careful to build on what is already in the law and avoid making changes that will in fact increase complexity.

The Advisory Committee has studied the issue of complexity in federal delivery for three years and, as I mentioned before, the issue has several dimensions:

- o multiple need analysis models;
- o unnecessary reapplication burden;
- o over reporting and excessive fees; and
- o ambiguity of information about Title IV programs.

Our proposals to simplify the application and reapplication process for 3.25 million students, delivered to the Congress on April 8, deal with each of these issues.

I would like now, however, to concentrate on what the Advisory Committee believes is the most important issue of complexity in federal delivery--an issue that is virtually ignored in other reauthorization proposals now before the Congress. The issue is that free simplified federal need analysis for low-income students enacted by Congress in 1986 has yet to be adequately implemented five years later. I think it is extremely important for the Subcommittee to understand during this reauthorization that Congress made great efforts in 1986 to simplify, that ED in recent years has done a creditable job of trying to implement what Congress envisioned, but that free and simple federal need analysis is nevertheless still not available for the majority of the at-risk population.

Let me expand on these points further by saying that the law is very clear about the kind of simplified system Congress envisioned for low-income students and parents. Two imperatives for federal delivery were clearly established in the law:

- o that no student or parent shall be charged a fee for determining need or eligibility for Title IV programs; and

- o that simplified federal need analysis shall be available for all low-income students and their families.

The language is so clear in these two regards that any assessment of complexity in the current delivery system must begin here.

Unfortunately such an assessment yields some bad news. Surely Congress in 1986 did not have in mind a delivery system where less than one in five of the at-risk population eligible for simple need analysis could use it. Nor did Congress expect that at-risk

students would be completing overly complex forms designed for the wealthiest families and paying fees every time they apply for Title IV programs. But that is exactly what is happening today across the country.

Mr. Chairman, the fact that free simple federal need analysis has yet to be adequately implemented is troubling to the Advisory Committee not only because the approach Congress took in 1986 was sound and promising. Equally troubling now is the realization that further simplification for low-income and AFDC recipients and extension of eligibility for the simple needs test to many middle-income families--proposals that have widespread support--are unlikely to prove effective. Unless of course we take the steps necessary to encourage or require implementation of what has been in the law since 1986.

But the news is not all bad. Thousands of institutions and several states have in fact implemented free federal need analysis for their students and are promoting simplified need analysis for those who qualify. There is a definite trend in this direction but progress has been slow. In some cases, additional state data requirements make it difficult for institutions to use free federal need analysis. In some cases, institutions have additional data requirements for distribution of their own funds. Fortunately, such requirements are changing as more and more institutions and states realize the advantages of free federal processing and simplified need analysis for low-income students.

However, unlike additional data requirements which are being gradually phased out, there is a more important structural problem in the current system that is a barrier to implementation of free and simple federal need analysis. There are significant financial incentives in the current system for multiple data entry processors (MDEs) who charge fees to encourage:

- o even the lowest-income students to forego their right to free simplified need analysis;
- o needy middle-income students to forego their right to free analysis of the entire core of federal data; and
- o both low- and middle-income students to supply unnecessary additional information for which a fee is required.

Mr. Chairman, the Advisory Committee has studied this issue carefully. Free and simple federal need analysis is working in thousands of institutions of all types and in several states across the country. The issue here is not feasibility or equity. It boils down to eliminating the incentives and questionable practices that encourage students to report unnecessary information--especially those that are simply reapplying as upperclassmen.

To illustrate the practical effect of the financial incentives that exist, let me note that just over one in twenty students who qualified for simplified needs analysis in 1990-91 and filed through MDEs charging fees actually used the simple needs test! Further, let me state that the experience so far in 1991-92 suggests that the vast majority of low-income students filing through these MDEs will continue to pay fees and fill out the entire form. This is clearly not what Congress had in mind in light of the long-standing unequivocal statutory requirements. It is impossible to justify and should be the highest priority for attention during this reauthorization.

***Recommendations that Make Matters Worse***

Let me note that the Advisory Committee's recommendations delivered on April 8th are radically different from others now before the Congress. Several of these, if adopted, will make matters much worse - and make the system more complex rather than simpler. These include:

- o eliminating free federal processing by MDEs;
- o eliminating or limiting simplified need analysis;
- o exempting subpopulations from application entirely;
- o adding complex routines or new data requirements;
- o creating confusion by renaming components of need analysis that are now familiar to the entire community;
- o reducing the number of MDEs without requiring those remaining to deliver free federal need analysis; or
- o causing major unintended budget or redistributive effects in the process of simplifying.

The Advisory Committee recommends that Congress reject such recommendations because of their predictable impact: greater complexity.

***Advisory Committee Recommendations***

Mr. Chairman, the Advisory Committee believes the Congress can significantly simplify and improve the delivery of federal student aid by taking the following actions:

- o First, and most important, fully implement the free simple federal need analysis intended by Congress by creating incentives or requirements of states and institutions to use it. Without this step, the Committee feels that little progress can be made toward simplification.

- o Further simplify requirements for students eligible for simplified need analysis; in particular, those who--
  - have family income below $10,000 or
  - are AFDC recipients.
- o Integrate the Pell and Congressional Methodology models into one model with a simple needs test by using one of the formulas as a foundation.
- o Initiate a pilot project using (Stage Zero) electronic data exchange and develop other procedures for streamlining reapplication so that both low- and middle-income students already in our system and data base can reapply simply and quickly.
- o Extend eligibility for simplified need analysis to at least $20,000; and perhaps further to $30,000 AGI thereby eliminating the need for many middle-income families with only modest assets to report them.
- o Restructure federal information dissemination and outreach to simply and clearly communicate the amount of financial aid that at-risk students will qualify for if they finish college preparatory high school programs.
- o Redesign and expand federal training efforts so that every federal, state and institutional agent in the delivery system understands and can communicate our promise of assistance to needy families.

Mr. Chairman, members of the Subcommittee, the Advisory Committee is convinced that these changes are required to fully realize the goals of the federal student aid programs, especially equal access, by the year 2000.

***A Concise Framework for Evaluating Proposals***

I would like now to turn to an evaluation framework that the Advisory Committee believes is objective and can be used to evaluate and rank alternative need analysis and delivery system proposals. The criteria derive directly from the law, the Committee's assessment of what is required to meet program intent, and budget/redistributive considerations.

The seven questions that the Advisory Committee recommends be answered about each delivery system proposal are the following:

- o Will free federal processing be increased?

- o Will simplified federal processing be increased?
- o Will multiple need analysis models (results) be reduced?
- o Will complex routines, treatments, or terminology in current models be simplified or eliminated?
- o Will reapplication complexity and burden be reduced significantly?
- o Will the complex message to at-risk junior and high school students concerning their eligibility for federal student aid be simplified?
- o Will there be a likelihood of budgetary and redistributive effects?

***NASFAA's Plan for Reform***

The Advisory Committee has already begun evaluating proposals against these criteria and I would like to share with you now our analysis of the NASFAA Plan for Reform which we understand was the foundation for S.1137, the Student Aid Simplification Act.

The Plan for Reform has the following features that concern the Advisory Committee:

***In the area of free federal processing:***

- Removes the guarantee of free federal processing currently in the law for low-income disadvantaged students.
- Eliminates free federal processing by MDEs; and by implication eliminates the AFSA, the free federal form used by almost two million at-risk students.
- Sustains and proliferates application fees by making free processing conditional on data matches, implementation of loan and other unspecified student data bases, and funding.
- Encourages reduction in the number of MDEs without requiring those remaining to deliver free federal processing.
- Eliminates language in the law for over a decade requiring a common form.

***In the area of simplified federal processing:***

- Repeals the simple needs test currently in the law and substitutes an approach that targets two million fewer students.

- Relies on application by-passes for AFDC recipients which may prove unacceptable to states and institutions.

- Eliminates simplification for all nontraditional and independent students.

***In the area of multiple need analysis models:***

- Proposes two models for need analysis with at least three results.

- Proposes a new (unspecified) model called "Resource Analysis" (and thereby encourages the creation of numerous other private models) which will likely compete with the federal model in distributing campus based, state, and institutional funds.

- Permits financial aid administrators to substitute the results of non-federal need analysis models for the federal model.

- Encourages the development of two forms and redundant data collection.

***In the area of complex routines, treatments, terminology:***

- Introduces complex changes to subroutines and administrative procedures.

- Proposes considerable modification to tables and updating methods.

- Substitutes new and unfamiliar terminology throughout federal need analysis.

- Eliminates the requirement to provide certain data elements (e.g., dependent student income) that are important to states and institutions, making the federal system unacceptable.

***In the area of reapplication:***

- Continues the "blank form and fee" approach to reapplication for 3.6 million low- and middle-income students.

***In the area of early federal Title IV information:***

- Strikes language for the Secretary to provide "early notice...of eligibility" to at-risk students and families.

- Limits the Secretary in regulating how consumer data are made available by institutions to students.

***In the area of budget and redistributive effects:***

- Significantly increases Pell costs and measured need for student aid programs.
- Shifts funds away from nontraditional and independent students dramatically.
- Shifts funds away from two- and four-year public institutions to private institutions including proprietary schools.

Mr. Chairman, many of the features above may have been unintentional and certainly can be modified to avoid negative effects. However, I think the analysis points out that we must analyze each reauthorization recommendation carefully as to its likely impact before incorporating it in the law.

The Advisory Committee will continue to analyze alternative proposals and report its findings to both the Congress and the Secretary.

Thank you for this opportunity to testify before your Subcommittee. I would be happy to answer any questions you might have.

Chairman WILLIAMS. Thank you, Jim.

Audrey Thompson is our next witness. We are very pleased you could take the time to be with us this morning.

Please proceed.

**STATEMENT OF AUDREY THOMPSON, DIRECTOR OF ADMISSIONS, COLLEGE OF GREAT FALLS, GREAT FALLS, MONTANA**

Ms. THOMPSON. Thank you, Mr. Chairman.

Congressman Williams, Congressman Barrett, and Staff, welcome to the campus of the College of Great Falls.

My name is Audrey Thompson. My testimony is based on my experience as Director of Admissions and Records of the College of Great Falls, several years as a high school teacher and counselor, and more personally, as the mother of two college students. My daughter received her degree last month from a state-supported school. My son is attending a private school in Minneapolis, Minnesota.

I view college education as an investment. It is an investment to better the life of the individual, but it also helps to assure that the individual will become a productive and self-sufficient member of our society. Most families recognize that while a college education is not a guarantee of employment, it is possibly the best assurance of employment and financial comfort we have.

As a high school counselor, I worked with these families. Very quickly, I learned that the application process had to be completed before the family had any assurance of assistance.

I remember one student who brought her student aid report to me and said, "I do not know how much aid I will be getting." I looked at her form and family contribution was over $19,000. This student, her brother and sister appeared to come from a family with a limited spendable income. However, they were a farm family. They were not unique.

Within the families in rural Montana, the student aid report is likely to be received during the summer and, if there are any complications, sometimes shortly before the graduate leaves for college. The student finds out at that time if he or she will receive aid and at a later date, how much aid will be available.

When we view the cost of college as an investment, this time frame becomes a difficult one. I believe the families in Montana and throughout the country need assurance of assistance much earlier than this. Families are unlikely to borrow money unless it is necessary for them to do so, therefore a system allowing for loans without proving need would not likely be abused and families could be confident in planning toward a college education for their children.

As Director of Admissions and Records here at the College of Great Falls, I have worked with many students who are entering college as non-traditional students. Some of these students have no previous college work and others are probably close to completing a degree. Some are coming to school following a period of unemployment or a divorce. Others are choosing to change careers. Some have been injured and can no longer continue in their previous career. Some are stationed at or are the spouses of someone sta-

tioned at Malmstrom Air Force Base. Some are employed; others have no source of income.

We need to make money available to the students who would benefit most from receiving a degree rather than providing money primarily to the students who have the greatest financial need. If loans through Federal financial aid are available without providing need, the students most likely to benefit will receive funding. These students will also likely repay the money. They will come from every income bracket and none will be discriminated against since the funding would be available without proving need.

We could spend the rest of the morning discussing circumstances that have made our present system unfair, however, I would rather focus on the solutions rather than on the problems.

In summary, my concern is that students need to have the assurance of assistance long before they are packing their bags to leave for college. Our young people in Montana need to plan their futures before the SAR arrives, not after. Our families need the dignity of making a decision concerning borrowing money for college. They do not need to be put in the position of trying to beat the system.

A college education needs to be available to those who will be most able to benefit from it, whether or not they have need. We need to recognize that the purpose of education is to benefit our society as a whole. We need students who will complete their degrees, who will repay their loans, who will become productive and self sufficient, and who will influence others to do the same.

Thank you.

[The prepared statement of Audrey Thompson follows:]

TESTIMONY FOR SUBCOMMITTEE ON POSTSECONDARY EDUCATION
AUDREY THOMPSON
JULY 13, 1991

My testimony is based on my experience as Director of Admissions and Records at the College of Great Falls, several years as a high school teacher and counselor and more personally, as the mother of two college students. My daughter received her degree last month from a state supported school and my son is attending a private school in Minneapolis, Minnesota.

I view a college education as an investment. It is an investment to better the life of the individual; it also helps to assure that the individual will become a productive and self-sufficient member of our society.

Most families recognize that, while a college education is not a guarantee of employment, it is possibly the best assurance of employment and financial comfort we have.

As a high school counselor, I worked with these families. Very quickly I learned that the application process had to completed before the family had any assurance of assistance. I remember one student who brought her Student Aid Report to me and said, "I don't know how much aid I will be getting." I looked at her form and the family contribution was over $19,000. This student and her brother and sister appeared to come from a family with limited spendable income; however, they were a farm family. They weren't unique. With the families in rural Montana, the Student Aid Report is likely to be received during the summer and, if there are any complications, sometimes shortly before the graduate leaves for college. The student finds out at that time if he or she will receive aid and at a later date, how much aid will be available.

When we view the cost of college as an investment, this time frame becomes a difficult one. I believe the families in Montana and throughout the country need assurance of assistance much earlier than this. Families are unlikely to borrow money unless it is necessary for them to do so; therefore, a system allowing for loans without proving need would not likely be abused and families could be confident in planning towards a college education for the children.

As Director of Admissions and Records here at the College of Great Falls I have worked with many students who are entering college as nontraditional students. Some of these students have no previous college work and others are probably close to completing a degree. Some are coming to school following a period of unemployment or a divorce.

others are choosing to change careers, some have been injured and can no longer continue in their previous career, some are stationed at or are the spouses of someone stationed at Malmstrom Air Force Base, some are employed, others have no source of income.

We need to make money available to the students who will benefit most from receiving a degree rather than providing money primarily to the students who have the greatest financial need. If loans through Federal Financial Aid are available without proving need, the students most likely to benefit will receive funding. These students will also likely repay the money. They will come from every income bracket and none will be discriminated against since the funding would be available without proving need.

We could spend the rest of the morning discussing circumstances that have made our present system unfair. However, I would rather focus on the solution rather than on the problems.

In summary, my concern is that students need to have the assurance of assistance long before they are packing their bags to leave for college. Our young people in Montana need to plan their future before the SAR arrives, not after. Our families need the dignity of making a decision concerning borrowing money for college; they do not need to be put in the position of trying to beat the system. A college education needs to be available to those who will be most able to benefit from it - whether or not they have need. We need to recognize that the purpose of education is to benefit our society as a whole. We need students who will complete their degrees, who will repay their loans, who will become productive and self-sufficient, and who will influence others to do the same.

Chairman WILLIAMS. Thank you, Audrey.

Our final witness today is Stacey Hargesheimer. I have intentionally not noted the titles of all of the other witnesses who came before us—all of them had a title—however, given the importance of Stacey's title, I do want to mention it here.

Stacey is a student. Stacey is what we are talking about today. Stacey, we appreciate your patience in being the final panelist. That is only because we saved the most important for last.

You smile as if you think I am kidding. I am not kidding. You are the reason we are here, you and your peers.

We are looking forward to hearing from you. Please proceed.

**STATEMENT OF STACEY HARGESHEIMER, STUDENT, UNIVERSITY OF MONTANA, MISSOULA**

Ms. HARGESHEIMER. Thank you. My name is Stacey Hargesheimer. I am a senior at the University of Montana, Missoula, and also a Senator in our student government, ASUM.

I am here today in place of Paula Pelletier who was unable to come due to a family emergency. When she approached me with the opportunity to speak about issues concerning the reauthorization, I jumped at the chance.

I feel that it is an honor to speak on behalf of my peers who struggle to graduate from college. I feel it is my duty as a student who does not have to apply for any student aid. I know just how lucky I am because I have heard countless stories from my friends about the frustration of the application process, down to the tears when they did not get all the grants or loans that they needed.

Paula was probably going to tell you of her frustration of being in her late twenties and still working towards her degree. Even though she receives financial aid, it is not enough and at times she has worked 30 hours a week while going to school full time so that she could stay in school. At other times, she just had to stay out of school a quarter to work.

My friend Ally called me last quarter and was upset because she did not have money to get a prescription filled for her bronchitis. She owed her roommate rent money and her student loan money was long gone from paying tuition. The clincher is although she was really sick, she had to go to work the next day because she needed the money.

At the University, the majority of students applying also apply for some type of financial aid. The need is there. Montana is not a high income state, but the high school national test scores are comparable to those around the country and these kids cannot go to college. Or when they do, they cannot stay.

Congressman Pat Williams knows this and is trying to get support for funding that will help middle income kids whose parents make just enough money right now that they cannot go to college.

Here in Montana it is tough to get public support for higher education through such measures as taxation. The economy needs help and the public wants results now. They do not see the benefits of college graduates equipped with modern and useful knowledge, though it is these students who could work in Montana and provide solutions for a better future.

This problem of the public wanting short term fixes instead of looking to the long term solutions is not just a Montana phenomenon, it is a national crisis. What long term solutions can be made to insure that students have every opportunity to attend college? The recommendations outlined by the United States Student Association are a start.

The government seems to find money to finance emergency situations when they occur. Should not we consider the decline of accessible education a national crisis? Support should be given to efforts such as those made by Congressman Williams and others that make a college education a reality to people who want to go.

Finally, those of us who do not have to go through financial aid nightmares should remember the students that do.

Thank you for letting me testify.

[The prepared statement of Stacey Hargesheimer follows:]

My name is Stacey Hargesheimer and I am a senior at the University of Montana in Missoula, and also a senator in our student government, ASUM. I am here today in place of Paula Pelletier who was unable to come due to a family emergency. When she approached me with the opportunity to speak about issues concerning reauthorization, I jumped at the chance. I feel that it is an honor to speak on behalf of my peers who struggle to graduate from college, and I feel it is my duty as a student who does not have to apply for any student aid. I know just how lucky I am because I have heard countless stories from my friends about the frustration of the application process down to the tears when they didn't get all the grants or loans that they needed.

Paula was probably going to tell you of her frustration of being in her late twenties, and still working towards her degree. Even though she receives financial aid, it's not enough and at times she has worked thirty hours a week while going to school full time so she could stay in school. And other times she has just had to stay out a quarter to work.

My friend Alie called me last quarter and was upset because she didn't have money to get a prescription filled for her bronchitis- she owed her roommate rent money, and her student loan money was long gone from paying tuition. The clincher is, though she was really sick, she had to go to work the next day, because she needed the money!

At the University, the majority of students applying have also applied for some type of financial aid- the need is there! Montana is not a high income state- but the high school national test scores are comparable to those around the country, and these kids can't go to college,or when they do- they can't stay!

Congressman Pat Williams knows this and is trying to get support for funding that will help middle-income kids whose parents make just enough money right now, that they can't go to college!

Here in Montana it's tough to get public support for higher education through such measures as taxation- the economy needs help and the public wants results now. They don't see the benefits of college graduates equipped with modern and useful knowledge- though it is these students who could work in Montana and provide solutions for a better future! This problem, of the public wanting short term fixes instead of looking to long term solutions, is not just a Montana phenomenom, it is a national crisis.

What long term solutions can be made to insure students have every opportunity to attend college? The recommendations outlined by the United States Student Association are a start. The government seems to find money to finance emergency situations when they occur, and shouldn't we consider the decline of accessible education a national crisis?

Support should be given to efforts such as those made by Congressman Williams and any others that make a college education a reality to people who want to go.

Finally, those who do not have to go through financial aid nightmares, should remember the students that do.

Thank you for the opportunity to testify.

Chairman WILLIAMS. Thank you, Stacey.

Jim Craig, we are both appreciative of the specificity with which you have considered the overall issue of processing and simplifying and access to both loans and grants through applications.

I want to publicly commend you as you chair this important national commission which has for several years now been considering these matters. Your leadership has been important on a national level. I am more than pleased to have had some small hand in having you both placed on the commission and trying to see that you remain as chairman of this important group. We want Montana's voice of common sense and reason guiding this commission and you have been able to do that in an extraordinary way. We are very appreciative, and both myself and the staff will be—as we have been—back in touch with you for these and other details that you have offered us.

Audrey, in your work here on the campus, can you tell us in some additional detail about the problems that face students who find that their finances or the finances of their parents are not quite adequate to keep them in school or keep them in school without a job? Do you see or know any students who may be suffering academically or personally because of the financial strain on them?

Ms. THOMPSON. Oh, definitely. I believe that some of the students are taking much longer to complete their college degree than otherwise. One instance that comes to mind is a woman that is making $8 an hour, which we know is not really providing her with a luxurious lifestyle and yet she is not eligible for aid, making the $8 an hour. As a result, she really needs to drag out her college education in order to pay for it as she goes along.

We have, of course, students like others have mentioned on the panel that are in tears over not getting the assistance that they hoped and planned on getting. The taking off of the semester or two or a year is a very commonplace type of happening.

Chairman WILLIAMS. Stacey, you are in your final year?

Ms. HARGESHEIMER. Yes.

Chairman WILLIAMS. Have you noticed during your time in school any change between your first year and now with regard to the financial difficulty facing your friends? Does it seem to be about the same, a little worse, or is it getting a little better?

Ms. HARGESHEIMER. I am thinking, when you say something like that—from the beginning to the end—more emotionally. A lot of my friends are really scared of the economy as a whole and the job situation. A lot of my friends just want to graduate. They want to get out there. They want to make some money. Right now, they are working at $4 an hour jobs just trying to stay in school, so it is a lot more things like that.

Chairman WILLIAMS. Does it affect their ability to study? Does it affect the number of credits that they can take each quarter because perhaps they have to work?

Ms. HARGESHEIMER. Yes. My friend that I was talking about, my best friend Ally really during the last year, especially the last quarter, I just really never saw her. She went to school from 8 a.m. until noon. And then she went to work from noon to 6:30. And she did that every single day. She was sick for three months. It is just—I do not know.

Chairman WILLIAMS. Bill?

Mr. BARRETT. Thank you, Mr. Chairman.

Jim, can we go back to the question I originally asked earlier of—who was it? Elsie, I believe—in which we deferred to you. Any suggestions that you could make in expanding that eligibility to middle income strata, that particular group, without giving away the "family farm" to the higher income students?

Mr. CRAIG. Well, I think, as I indicated in my comments, there are two or three approaches to this. One is to expand the simplified needs analysis to higher income levels. I do not think that the redistribution effects would be all that great, where parents who file a 1040A or a 1040EZ just be forgiven from reporting any assets. I think statistical data will show that families that file a 1040A or a 1040EZ have very little assets in the first place. So why are we asking the further question?

I certainly support Congressman Williams bill to eliminate business assets and farm assets. This is really giving us a lot of grief. We probably have received more letters this year from farm families questioning the family contribution because of those assets. Previous testimony had indicated that it creates a large family contribution and the cash flow does not support the family contribution. I mean adjusted gross income is not there. It is just not feasible.

How to finance it? I could not tell you. But I think we need to go back and take a long hard look at that. But I think there are some things that we can look at. We need to look at the 1040 filers or even eliminating all assets from reporting for Pell Grant as well as—many all people with adjusted income under, let us say, under a given level. $40,000, $30,000 regardless of the tax form that they file. That would ease the burden on the middle income family if they did not have to report assets.

Plus it is going to simplify that application tremendously. As Congressman Williams said, you almost get embarrassed sometimes asking students and parents to fill out this form. We get parents who call us and they will say to us, "How can you make us go through this?" I have to explain to them that it is not Jim Craig's needs analysis process or Jim Craig's application process. I try to blame it back on Congress.

[Laughter.]

Mr. BARRETT. Why not? Everyone else does.

Mr. CRAIG. Might as well. I am trying to answer your question. Making the application simpler is going to get more people into the system. We do not know how many students we lose who look at the application and say, "This is just too tough to fill out," and they throw it to the side and they decide not go to school and they just work.

We have to simplify it. If we do not do it this time around, it is never going to get done. It has just become so complicated. It is really hurting.

Mr. BARRETT. You make a good point. As I understand it, we have now the Federal form which is free, of course, and also the needs analysis form. It is also my understanding that some schools use their own forms. Is that not true? Or do you know?

Mr. CRAIG. Well, as far as Federal aid is concerned, everybody has to use one of what we can the MDE documents, of which there are five. And the first part of the form is mandated by law as to what questions will be asked. But some of the MDEs will continue on into the form with other questions. By the time you add the instructions for all the other questions, you have a 1040 IRS booklet that you have to go through. Lots of families are now turning to practitioners or a specialist in how to fill out the form.

I just do not think that is necessary that you have to have a family go to someone and pay them $100 or $200 to fill out a form to apply for financial aid. It just does not make sense.

They all have to use the one form, but they do add questions to it. In theory, all the forms are supposed to be free. But, Congressman Williams, if you looked at that application, it is pretty hard to figure out that it is a free form, if you are using one of the cost forms that you are supposed to pay.

The free form, to me—we switched to it as soon as we possibly could. We received a lot of favorable comments because it is still simpler to fill out than the longer version where there are other questions asked. But it is still too complicated.

Mr. BARRETT. Is there something to be said for, then, all college institutions to use the same form, as you just suggestion. In other words, could we prevent individual institutions using their own forms?

Mr. CRAIG. You could. The Federal Government could mandate that there be one form.

Mr. BARRETT. Is that something that in your opinion would be a good idea?

Mr. CRAIG. There are some advantages and disadvantages. I think it would have to be weighed very, very carefully. With the five forms, if one of the processors does not come up to snuff or there is a breakdown in the system, there are still four other processors out there that you can use to get the data into the system.

I think what Congress needs to do is make it very clear that students can apply for Federal aid free, without cost, especially Pell Grants. If the Middle Income Assistance Act is passed, then Stafford Loans will not be affected. But Pell Grants will still be affected and some of the other campus-based aid could still be affected. We just need to make the whole process simpler.

Mr. BARRETT. In your position as a financial aid officer, you talk about the complexity and you need additional flexibility which I would tend to agree with. But in saying that, is there not an inherent danger that perhaps a student could come back on you at some future point in time and say you did not do what you should have. If we gave you more authority to call the shots in Montana, are you not leaving yourself somewhat open?

Mr. CRAIG. No, I do not think so. Right now, Congress has given the individual campuses a great deal of authority to make individual adjustments on a case by case basis with appropriate documentation.

I think the problem there is—like we are getting letters and documentation from accountants and bankers where farm families are appealing the asset value. Why are we putting them through this hurdle? We have to have the documentation because the Depart-

ment of Education has a nasty habit of doing some audits on us once in a while and you never know what they are going to say. So we have to have the documentation. We should not put them through such a process in the first place.

No. We are all using the same system. We are all using the same form. It is just that the form is too complicated and the reapplication process is too complicated.

I think there should be standardization throughout the country.

Mr. BARRETT. You also support—and I was glad to hear—Congressman Williams' bill eliminating the family farm and the family home equity from financial need analysis. Any thoughts about eliminating the family business?

Mr. CRAIG. I think if it is a small family business and it is the primary generator of the income for that family, it should be eliminated as well. I do not know how you ask that particular question. I have not given it that much thought. But I throw small business families, small farm families and small business owners into the same category. It does the same thing.

You have a small business. You have all of your assets tied up in the small business and your whole income is coming from that business. Yes.

Mr. BARRETT. I had a constituent ask me that very question recently, "You are taking care of the farmer again? What is the matter with me as a small business owner? Why can I not qualify as well?"

Mr. CRAIG. I think we should use the term in the same breath—small business owner, small family farm. I might also say that the home equity is really a burr under the saddle. We have lots of families, single parent families, that own a home and probably have lived in the home for a number of years and they have built up some equity and they will report the home is worth $60,000 with no debt against it, and their adjusted gross income is $15,000, and we are having to sit there and tell the family, "I am sorry. You really do not qualify because of the income and the asset." It just does not make sense.

Mr. BARRETT. Thank you.

Mr. CRAIG. Thank you.

Mr. BARRETT. Stacey, you touched on the—I gathered you were speaking about perhaps some of the more non-traditional students and some of the problems that they had, some of the students that are a little older. Is that generally true?

Ms. HARGESHEIMER. No.

Mr. BARRETT. Okay.

Ms. HARGESHEIMER. Paula is a non-traditional student. My friend Ally—a lot of friends are 21, 22, and they are still struggling just to get through. They are going to be non-traditional pretty soon because they are going to be in school for so long.

[Laughter.]

Mr. BARRETT. Well said. I appreciated your comments. I agree with the Chairman that it is nice to hear from students.

What are your plans? What field are you in?

Ms. HARGESHEIMER. I am graduating with Political Science, History, and Secondary Education. So, we will see what happens. Hopefully, I would like to teach.

Mr. BARRETT. Teach?

Ms. HARGESHEIMER. Yes.

Mr. BARRETT. Great.

I appreciated your comments.

Ms. HARGESHEIMER. Thank you.

Mr. BARRETT. As a former assistant director of admissions at a small liberal arts college, I appreciated your comments as well, Audrey. Thank you very much.

Thank you, Mr. Chairman.

Chairman WILLIAMS. Thank you, Bill.

Following up on the matter of the non-traditional student, there was a time in America when at least the perception about the average student attending postsecondary education was that that student was male, white, 18 years old, and attending the business department at the school.

I do not know if it was every true, but it is not true today. That is nowhere near the average profile of today's students. And that is good because before this decade is out, 65 percent of the new Americans entering the work force will be what we are calling today non-traditional people.

I do not know that they are so non-traditional, but the point is the majority of them will not be male, or young, or white. They will represent all the colors of the American citizenry.

And the fact is that there are not enough white males in America today or at any time in the foreseeable future to adequately supply the work force that this nation needs. So we must move to the older student, the students of color, including Montana and American Native Americans and to women if we are going to have an educated work force that can continue not only to compete, but to lead in both the marketplace of ideas and the marketplace of goods throughout the world.

In my opinion, we are not going to make it—with regard to that leadership and competitive nature for America—we are not going to make it unless we make postsecondary education more accessible to middle income Montanans and middle income Americans of both sexes and all colors, and all occupations including agriculture, which today is finding college less and less accessible.

I also want to note that when we say postsecondary education, we sometimes limit ourselves to thinking only about great schools like this one, the University of Montana, Harvard, or Yale. But there are vocational schools. There are proprietary schools. The owner of one proprietary institution in Montana is with us today.

Americans choose all kinds of institutions of higher education. And we need all kinds, private and public if we are going to provide the expertise, knowledge, information and skills that Montanans and Americans will need as we find ourselves now on the cusp of the next century.

Well, your testimony—both this panel and the previous panel—has been very helpful. I am more than pleased with your indication of support for a Middle Income Assistance Act. And we thank the three members of this panel for being with us.

The hearing record will remain open for anyone who wishes to submit testimony. And I will leave the hearing record open for that purpose for one month from today. If anyone here or that you

know of would like to have their thoughts placed in this hearing record, they may do so by sending those to either myself or Mr. Barrett of the Postsecondary Education Subcommittee on Capitol Hill in Washington, DC.

Thank you, all.

And again, Bill, welcome to Montana. I am looking forward to our next hearing day in your district in Nebraska.

Mr. BARRETT. Thank you, Pat. It is my pleasure to be here.

Chairman WILLIAMS. Thank you.

This hearing is adjourned.

[Whereupon, at 10:40 a.m., the subcommittee was adjourned.]

[Additional material submitted for the record follows.]

Testimony Submitted to the
Subcommittee on Postsecondary Education
U.S. House of Representatives

by

Michael May
President
May Technical College

July 12, 1991
The College of Great Falls
Great Falls, MT

Congressman Williams and members of the Committee. My name is Michael May and I am president of May Technical College. I am also a leader of Montana Skills 2000 -- a coalition of concerned business people, elected officials, community leaders, educators, and students working to ensure access to federal financial aid for students attending private career schools.

I appreciate the opportunity to share my thoughts with you as you consider the reauthorization of the Higher Education Act. I especially want to address issues affecting private career school students.

Congress is considering the reauthorization of the Higher Education Act at a critical time in our history. Clearly, the decisions you will make at this important crossroads will have a major impact not only on our nation's economic future, but also on the lives of millions of Americans.

Growing international competitiveness and rapid technological change make educating a skilled workforce more important than ever. Ensuring that all our citizens gain the education and skills needed to make a productive contribution to our economy is essential if we are to survive in the global marketplace of the 1990s and the 21st century.

The Montana Department of Labor and Industry estimates that the state's industries will employ nearly 305,000 non-farm wage and salary workers by 1995. This represents an increase of almost 36,000 workers between 1986 and 1995.

We must begin today to take the steps needed to ensure that this labor force isn't just larger, but high-quality as well. We must make sure that Montana's new workers are skilled and competent -- whether they are from other states and other countries or young adults entering the workforce for the first time.

In order to have an educated workforce, America's elementary and secondary schools must lay the critical foundation. Students must complete school with the ability to move on to the next step in order to be productive members of society.

The question then becomes -- How do we make the transition from educated high school student to skilled worker?

Many people answer this question by turning to traditional four-year colleges and universities. And certainly these institutions play a vital role in our economy. However, an efficient and productive economy also requires well-trained and educated people to build our homes, repair our plumbing, program our computers, assist our doctors, fix our automobiles, and maintain our offices, schools, and hospitals.

While many jobs demand more than a high school diploma, most do not require a traditional, bacalaureatte degree. This summer, the Commission on the Skills of the American Workforce reported 70 percent of the jobs in the year 2000 will not require a college degree.

Ignoring the education and training of this large segment of the workforce that won't get, and doesn't need, a college degree will have dire consequences. These people are the backbone of the economy. They are the front-line workers who will largely determine whether our economy thrives or withers.

The nation's private career schools will continue to play a major education role. These institutions provide career-specific education for more than 130 occupations. In Montana alone, more than 1,000 students attend private career schools.

Private career schools historically have been a major source of skilled workers for business and industry. Today, they prepare people for some of the fastest-growing occupations of the 1990s.

The vital role private career schools play is brought home by the fact that these students produced about one-half of the trained entry-level workers last year nationwide.

The Montana Department of Labor and Industry estimates some of the fastest-growing occupations in the state will be in sales, health services, clerical and service occupations. Business and consumer services jobs, wholesale, and retail sales jobs will account for 37,400 of Montana's new jobs by the year 2000, or 75 percent of the total 49,900 new jobs.

Montana's private career schools are working to prepare the people needed to fill these and many other jobs. They will help provide the skilled and productive employees existing businesses need and Montana needs to attract new enterprises to the state.

As the nation examines how it will meet the economic challenges of the 1990s, we must ensure that people can benefit from the education and training these schools offer. For millions of Americans, federal student financial assistance programs are an essential ingredient. They provide grants and loans to help people from low- and moderate-income families pay tuition and fees. Without help, many students simply cannot afford to pursue a postsecondary education.

This year as Congress reviews the future of financial aid p grams, it should recognize the central role these programs will play in determining the quality of tomorrow's workforce.

Congress will certainly make some changes in the way the programs operate, but it must ensure that students continue to have access to loans to help pay for a variety of education options -- whether it is a liberal arts or a more career-specific program. Help should be available to support the kind of education that best meets a student's needs, interests, and ability.

I believe we ought to head in the direction outlined in the legislative proposal that two national organizations -- the National Association of Trade and Technical Schools (NATTS) and the Association of Independent Colleges and Schools (AICS) -- have shared with your Committee. The major objectives of the proposal are to:

- o provide access to postsecondary education for all students;
- o respect the great diversity of opportunities offered by our pluralistic system of postsecondary education;
- o restore a better balance between grants and loans;
- o improve the integrity of the aid programs through greater accountability;
- o enhance the effectiveness of the programs through simplification and improved administration;
- o improve the predictability in how much aid will be available to help parents and students plan; and
- o create a new student support services program for disadvantaged students.

The plan recognizes that people should have access to the type of education that best meets their interests, needs, and abilities, whether at a four-year college or private career school.

Moreover, the proposal calls for a number of reforms that will clarify the accountability of all players involved in the student aid programs and create ways to curb abuse -- reforms that will help restore everyone's confidence in these programs.

We all know that there are countless numbers of Americans who would not be where they are today if they had not received loans, grants and work-study funds provided through the Higher Education Act.

I do not believe it is any exaggeration to say that the reauthorization of the Higher Education Act is the most important piece of domestic legislation facing Congress. Our failure to adequately support these programs will hinder our ability to meet the economic challenges of the 1990s. To skimp on these programs today will have clear economic ramifications tomorrow.

These programs have opened doors of opportunity for millions of Americans. We need to make certain that the doors stay open for all future students who want to have the same opportunities. The futures of countless people depend on it. Our country's economic well-being depends on it as well. Thank you.

46-415 (68)